

**BUSINESS PLAN FOR PELOTON: A SOFTWARE PRODUCT FIRM FOCUSED  
ON THE CREDIT UNION INDUSTRY IN THE UNITED STATES**

by

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## **Abstract**

This business plan proposes a new software firm, Peloton Software Inc., the product of which will meet an evident need of credit unions with 30-200 employees based in the United States. The hosted software product, based on Microsoft SharePoint, will improve top-down communication and horizontal collaboration.

The firm will be composed of a development office in Vancouver, BC and a sales office in Los Angeles, CA, and will sell to credit unions and their credit union service organizations in California, Texas and Michigan.

The two founders have a combined 30 years experience in the software and credit union industries. Daniel Flippance is an experienced software architect and Bob Smith is a highly motivated manager and salesman.

The firm will be a boot-strapped start-up, using rapid development cycles with excellent customer feedback to develop the exact product customers need.

**Keywords:** credit union; credit union service organization; intranet; SharePoint; Peloton.

## **Executive Summary**

Across North America, the financial industry is embracing the implementation of internal websites - intranets – to encourage a collaborative workplace amongst its knowledge workers. Many of these institutions, and other industries, are choosing Microsoft SharePoint as the platform on which to build customized intranets; however, the implementation of SharePoint can come with a significant price tag. Such intranets can generate costs exceeding \$1million, which is not affordable for smaller financial institutions.

Credit unions in the United States are cooperative member-owned financial organizations, many of which have a small number of locations. As small organizations, they face problems of economies of scale in their business. To address this, groups of credit unions form collective companies known as credit union service organizations (CUSOs) to share the cost of services such as IT. Whilst some CUSOs do provide intranet services to their member credit unions, no CUSOs have been found which provide a shared intranet service based on SharePoint. An opportunity exists to match the financial knowledge workers' information needs with SharePoint's strong capabilities in document management, collaboration, search and workflow. The resulting benefits which are currently only available to large credit unions, such as search cost reduction, better-organized information storage and improved communication, become cost effective for the small.

To address this opportunity, the firm, named Peloton, will create an intranet product based on Microsoft SharePoint targeted specifically at small credit unions and their associated CUSOs. The product will create value by reducing the search costs for information and improving collaboration between employees. Well organized, easily searchable information reduces the effort to provide better service to customers and increases the ability to make good decisions by ensuring that the latest information is always easily available. Bringing geographically dispersed employees together online aids collaboration, creating a stronger cohesion in the workplace and improved flow of knowledge.

The firm will create value for the owners and employees of small credit unions in the United States. At the end of 2010, there were 7179 credit unions in the United States serving 91.4

million members according to the National Credit Union Administration (5300 Call Report Quarterly Data, 2012). The firm will initially target small credit unions with between 30 and 200 employees: such unions have less ability to invest in the development of custom IT solutions but are of sufficient size to benefit from web-based collaboration software and have a greater likelihood of having more than one branch location.

The firm's core competencies will be its technology and usability capabilities in the development of SharePoint collaboration products that meet the needs of users, and maintenance and management of an always-on IT system. This will be supported by an understanding of the needs of the credit union industry when compared to other industries.

The firm will differentiate itself from generic collaboration websites by tailoring its website for the specific needs of small credit unions and by providing configuration, integration and setup services. It will differentiate itself from CUSO-built intranets by providing access to leading edge software development, competitive hosting, and customized services consistently delivered with greater speed, quality and reliability than CUSOs. It will differentiate itself from IT consulting firms by providing a product at a lower cost than custom solutions.

Initial wireframe designs of the product's major functionality and a high level design of the software architecture have been completed. The firm will develop the software itself and will initially outsource graphic design. Operationally, the firm will lease most of its development infrastructure including virtual servers and physical computers.

In marketing, the firm will create awareness in credit unions through trade publications, conferences and a direct telephone campaign. In managing the customer journey through consideration and purchase, the firm will manage the sales cycle using a funnel of opportunities, with criteria for moving to each level.

In terms of the economic model, costs will be primarily the fixed costs of development, maintenance and sales employee salaries, with medium to high margins and low variable costs. The firm will be organized for medium volumes, expecting user license sales in the order of thousands. Revenue sources will be flexible and include server licenses and client access licences (CALs) based on the number of users for each credit union. Additional consulting fees will also bring in revenue for services such as branding, data migration and custom feature development. In the start-up phase, the firm's breakeven volume will be sales to 35 credit unions or 9 CUSOs with 5 member credit unions.

The firm will take a conservative approach to the financial plan and employ bootstrapping strategies where appropriate rather than taking on long-term debt in the first few years. The above breakeven volume is expected to be reached in 28 months with positive cash flow first occurring in month 7 and positive retained earnings expected in month 17.

A short term loan of \$15,000 is required to finance development after the first 6 months for a period of 10 months. The loan will be taken in \$5,000 increments and will be either a line of credit or a small business loan.

The founding team consists of: Daniel Flippance, a software architect with 15 years experience in designing and building IT solutions, 5 of which in SharePoint; Bob Smith, an experienced sales and marketing professional with strong SharePoint knowledge and a financial industry background. To finance the start-up, each founder will invest \$25,000 in the firm.

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## **Glossary**

CAL	Client Access License
CU	Credit Union
CUSO	Credit Union Service Organization
FCU	Federal Credit Union
FISCU	Federally Insured State-Chartered Credit Unions
IT	Information Technology
NACUSO	National Association of Credit Union Service Organizations
NCUA	Nation Credit Union Administration – Federal agency which regulation
Server	A physical computer used to run intensive operations
Virtual Server	An virtual representation of a server that acts like a physical server but is hosted on another server

# 1: The Industry

The firm will be part of the industry as defined by NAICS and SIC as NAICS - 511210 Software Publishers and SIC - 5045: Computers, peripherals & software. The segment under consideration is the Enterprise Content Management (ECM) software industry, which focuses on tools and processes to capture, manage and present documents, records, workflow, web content and collaboration (AIIM 2012) (AIIM 2012).

In 2009, the ECM ecosystem market was in rapid-growth, earning \$2.1 billion and that figure is expected to increase to \$6 billion by 2016 (Sullivan 2010). The industry is fairly fragmented at this time, with many vendors offering various products from both broad platforms to niche players.

The industry sub-segments of particular interest are document management, web content management and collaboration software, which we will collectively term intranets. The intranet software industry can be segmented in several ways. Platform vendors like Microsoft, Sitecore, EMC and OpenText provide rich frameworks of features that can be used across a broad range of industries to build a variety of document and web content management solutions. IT consulting firms specialize in knowledge of these platforms and build custom solutions using them based on time and materials fees.

Other internet hosted sharing and collaboration websites are also popular as part of a small firm's information management. Box.com provides document sharing and collaboration services, and Basecamp.com provides hosted project management software. There is also a growing focus on social software in the workplace. Products such as Moxie Employee Spaces provide to the business world many of the social computing features common in the consumer space.

Finally, there are firms who specialize in intranets and transactional applications designed for specific industries, such as Passageways who produce intranets for the credit union industry.



## 1.1 Porter's 5 Forces

To understand how an intranet firm in the ECM industry is affected by its economic environment, it is useful to conduct an analysis of the 5-forces which impact the sustainability of a firm's profit, with particular consideration to the intranet industry sub-segment (Porter 1980).

### **Buyer Power: Low**

Industry profits tend to be lower when customers have negotiating power over the price of products and services. Buyers of intranets are firms and organizations, and their ability to negotiate the price of intranet software is low due in part to the high costs of data migration which increase switching costs, lowering buyer power.

### **Supplier Power: Moderate/High**

Suppliers can reduce industry profits when inputs are non-standardized and relationship investments are high. Suppliers to intranet firms are the software platform vendors such as Microsoft, Open Text and EMC, and their power has been very strong due to the low standardization in these platforms, which has led to large profits for products such as SharePoint. However, competition in the supplier space is beginning to moderate the strength.

### **New Entrants: Moderate**

There is always a threat that new entrants in web-based software will erode industry profits due to the relatively low cost of creating a product, for the sweat-equity friendly start-up. Very little expensive equipment is necessary and they can be located almost anywhere. However, for these hopeful product firms, the sunk costs are in development of the product, costs which must be paid whether or not the product is successful, so the youthful vigour is moderated by large up-front fixed costs of development. For intranet products, switching costs for customers can be high in large firms due to the large amount of data migration required, thereby moderating the strength of entry. Network effects are not very relevant to intranet software due to its intrinsic internal focus within firms.

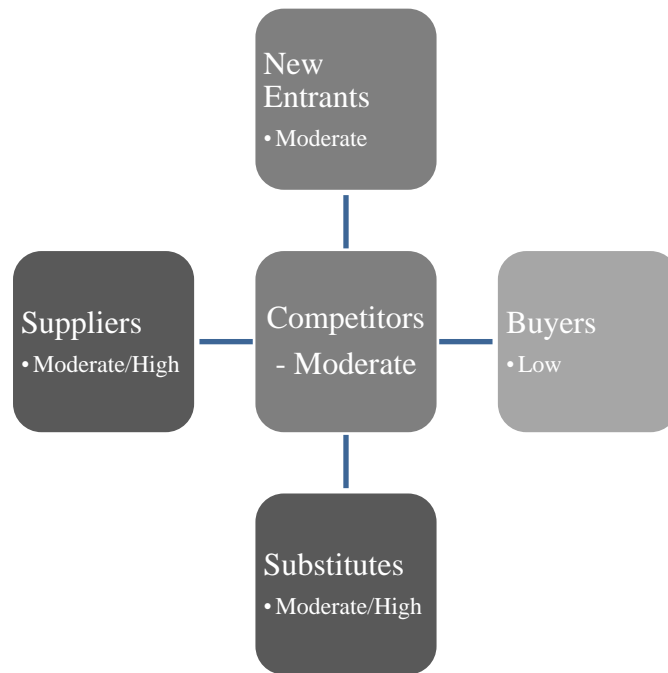
### **Competitors: Moderate**

Strong rivalry among firms can lower industry profits where products are standardized. In the intranet market, there are many firms competing for market share, however this strength is moderated by the significant differentiation between competing products as well as switching costs in moving from one product to another.

### **Substitute products: Moderate/High**

For smaller firms, one-on-one communication, email and paper-based systems can provide sufficient communication channels for a firm. As firm size grows, however, these substitutes become less able to provide the managed communication and collaboration provided by intranet products. In the 30-200 employee size, this power can be considered moderate/high.

*Figure 1 Porter's Five Forces*



#### **1.1.1 Key Success Factors**

Based on this analysis, in order for a software firm to enter this space it must succeed in several ways: it must identify a niche where it can provide value to customers amongst existing competitors, incur the sunk cost of development and become profitable by either bootstrapping or by securing significant upfront funding to cover development costs. Making the product a complement to an existing ECM platform reduces the risk of the upfront costs and creates a customer utility advantage by increasing the value of the investment the customer has made in that platform. A wide range of complementary products means that the customer can do much more with the product, potentially solving more problems or opening up more opportunities.

As a measure of the number of complementary products, the number of exhibitors at the annual conference for 5 ECM vendors shows SharePoint has a very strong community of complements:

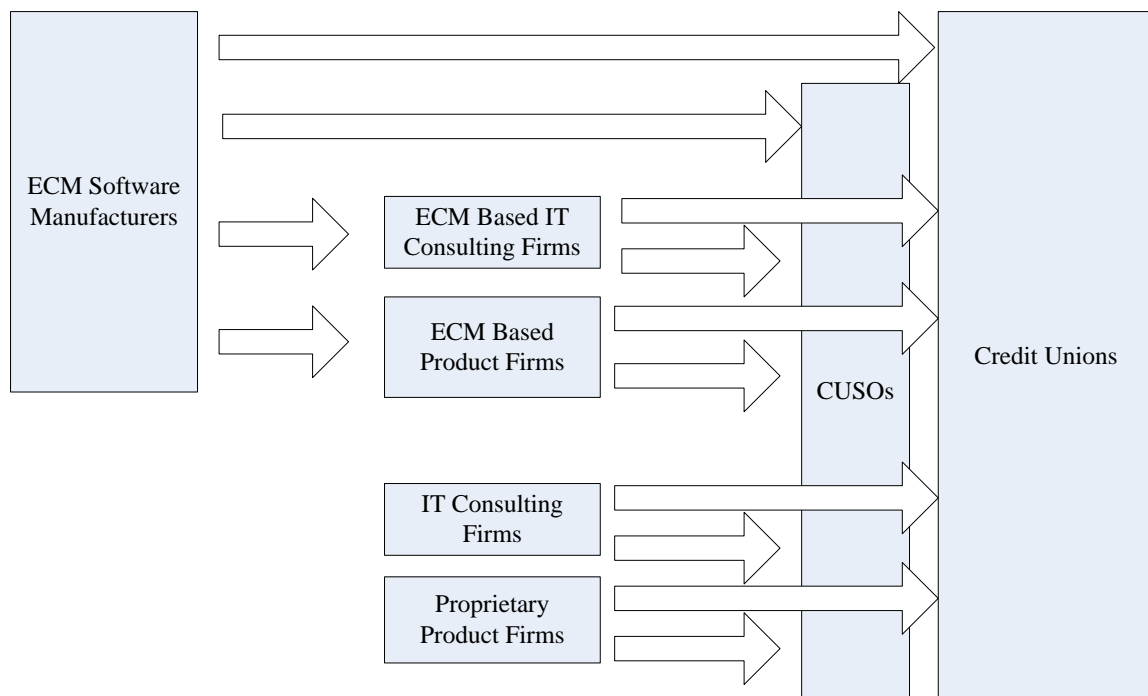
Microsoft SharePoint	OpenText ECM	Oracle ECM	EMC Documentum	Alfresco ECM
244	37	200 (est.)	112	12

Moving to a new intranet involves significant data migration and customers will face switching costs, so the firm must address these by providing assistance with data migration. Finally, the firm needs to deliver a rich feature set differentiating itself from competitors and aim to create its own switching costs, keeping competition at bay. Looking forward, it must pay close attention to changes in platform vendors supplied software product and agreements, as well as to new entrants.

## 1.2 Industry Supply Chain

In order to see how these various suppliers, buyers, consulting firms and software vendors interact, it is useful to look at the industry supply chain. The following diagram shows the supply chain for ECM/intranet product firms from a context where the buyers are credit unions and credit union service organizations (CUSOs). The chain shows ECM platform software suppliers, IT consulting firms and product firms through to the credit union and CUSO customers themselves.

Figure 2 Industry Supply Chain



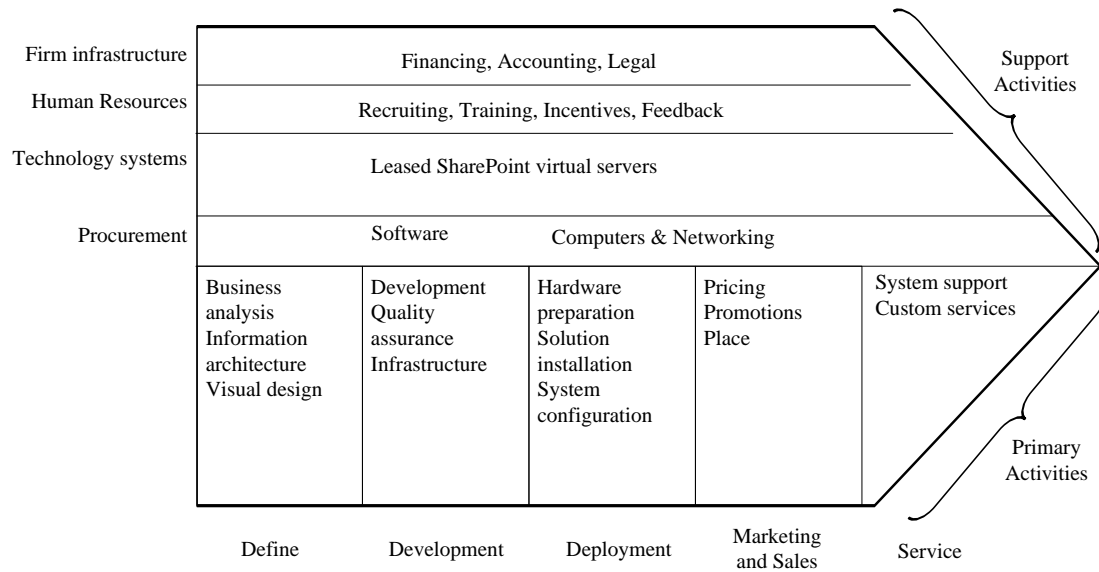
This business plan proposes to establish a firm in the ECM Based Product Firms category in Figure 2 above.

It is important to note that in this diagram we can see ECM Software Manufacturers products, such as SharePoint, can be used directly by customers with no modification. This untailored approach is common. However, over time, this often leads firms to problems of poor governance and unstructured growth, so we shall consider this situation a substitute rather than a competitor.

### 1.3 Firm's Value Chain

This firm, an ECM Based Product Firm, will create value based on the following value chain.

Figure 3 Value Chain of an ECM Based Product Firm



### 1.4 Industry Trends

#### 1.4.1 The Digital Workplace

Trends in strategic goals in the workplace indicate that many organizations have a strong focus on improving communication both top-down and horizontally between employees. Reports show the flow of communication, collaboration and knowledge sharing are areas of focus for strategic goals in the digital workplace (McConnell 2012).

#### 1.4.2 The Cloud

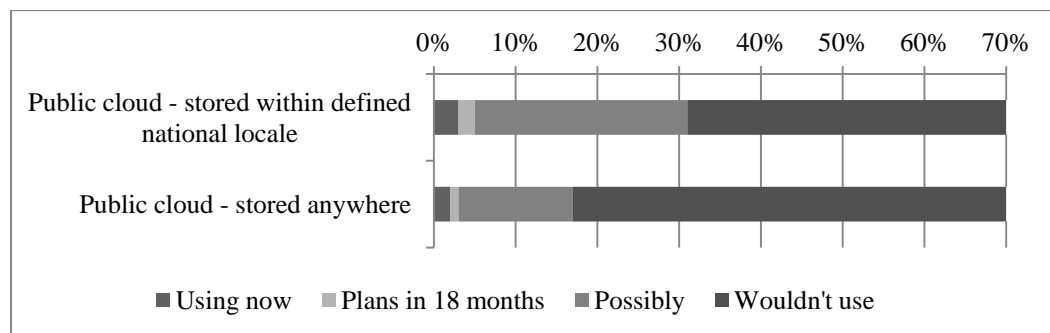
A significant trend in software today is that of Cloud Computing, which refers to an on-demand pool of computers, storage and networks which can be provisioned and released with minimum interaction (Mell 2011). Any firm desiring to enter the intranet space must understand cloud computing, what it is and how it affects their business.

When the term “the cloud” is used, it usually refers to the public cloud. In this scenario, applications are hosted on internet connected servers not owned or managed by the firm using them and are shared by multiple firms. The firm will have little or no control over where the servers are located and who the other tenants of those servers are. Applications designed for a public cloud have to meet strict criteria to be allowed on the servers, such as facing limitations on: functionality, security, bandwidth, memory use and available disk space. The public cloud makes some of these scalable in a very short length of time, typically minutes, and gives firms the ability to quickly grow and shrink their resources for pre-specified fees. Access to the infrastructure of servers, networks and other devices is not available to the firm in this model.

Due to variations in privacy laws, firms place considerable weight on the country in which the servers are located when choosing a public cloud provider and firms are often inclined to purchase space from a cloud provider based in their own country. The US Patriot Act is an example of such legislation which disinclines privacy-conscious firms in Canada and other countries from using US based cloud services.

AIIM reports that in 2011, there is still a strong resistance to using the public cloud for storing content and records but that it is shrinking (AIIM 2011).

*Figure 4 Plans to use a Cloud ECM Solution*



(AIIM 2011)

## 1.5 Insights and Implications

There is a significant place for ECM based product firms. Finding a niche and becoming a complement to an ECM platform product eases risk in entry and creates customer utility advantage. Such a firm will have both product and IT consulting competitors, and must provide products which can be hosted privately and in-house whilst preparing for the future growth of the cloud.

## **2: The Firm, Concept, Products and Services**

### **2.1 The Firm**

The firm will be a Limited Liability Company named Peloton Software Inc, based in Vancouver, BC and will commence operations in May 2012. The company is a new venture by Daniel Flippance and Bob Smith, a SharePoint software development team with experience building and leading several enterprise level SharePoint intranets, portals, collaboration sites and custom applications including an intranet for one of the largest credit unions in Canada.

The firm will have a subsidiary Limited Liability Company in the United States based in the Los Angeles, CA.

### **2.2 The Concept**

Across North America, the financial industry is embracing the implementation of internal websites - intranets – to encourage a collaborative workplace amongst its knowledge workers. Many of these institutions, and other industries, are choosing Microsoft SharePoint as the platform on which to build customized intranets; however, the implementation of SharePoint can come with a significant price tag. Such intranets can generate costs exceeding \$1million, which is not affordable for smaller financial institutions.

Credit unions in the United States are cooperative member-owned financial organizations, many of which have a small number of locations. As small organizations, they face problems of economies of scale in their business. To address this, groups of credit unions form collective companies known as credit union service organizations (CUSOs) to share the cost of services such as IT. Whilst some CUSOs do provide intranet services to their member credit unions, no CUSOs have been found which provide a shared intranet service based on SharePoint.

As knowledge workers, credit union employees need fast access to well organized information and tools to help them communicate and collaborate. Providing tools to meet these needs reduces search costs and allows the organization to give a better, faster service to its customers. An opportunity exists to take these benefits available to large credit unions and make them cost effective for the small.

Peloton Software will address this opportunity by combining SharePoint's strong platform with an industry tailored product. The firm will create and provide an intranet product based on Microsoft SharePoint 2010 & 2013 targeted specifically at small credit unions and their associated CUSOs. In addition, the firm will provide professional services for configuration and extensions to the product as well as for initial data migration and for ongoing maintenance assistance. The firm will create value for the owners and employees of small credit unions in the United States.

The product will create value by reducing the search costs for information and improving collaboration between employees. Well organized, easily searchable information reduces the effort to provide better service to customers and increases the ability to make good decisions by ensuring that the latest information is always easily available. Bringing geographically dispersed employees together online facilitates collaboration, creates a cohesive workplace and improves flow of knowledge, all of which strengthen the decision making process throughout the company as a whole.

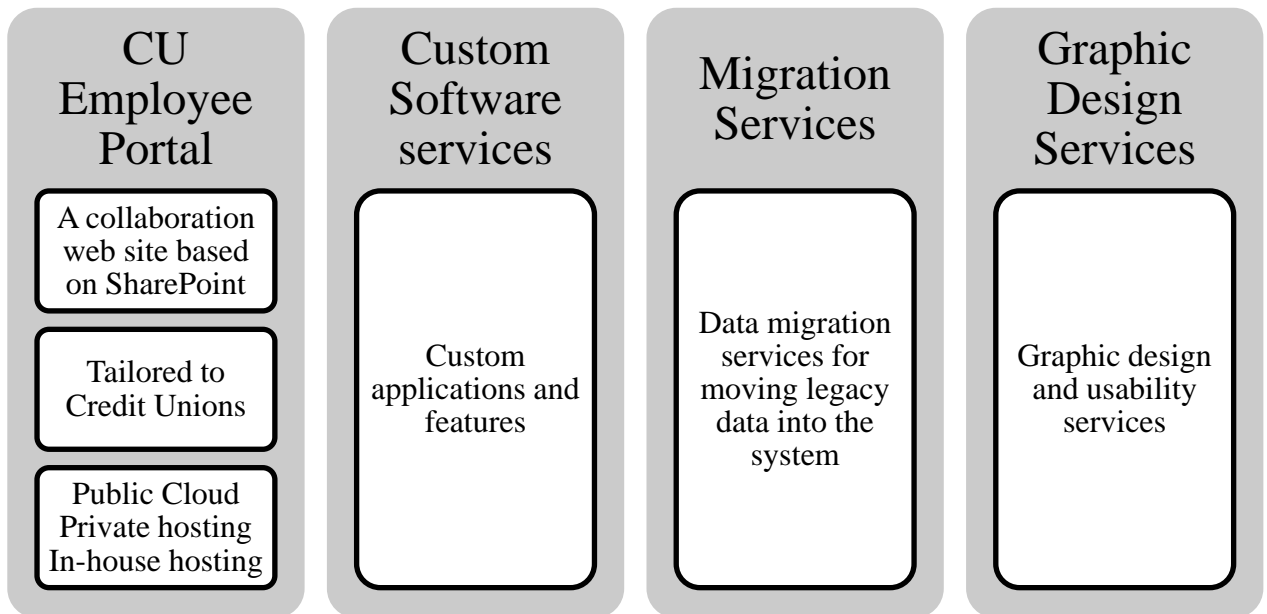
Platforms, generic intranets and credit union intranets cannot provide all these benefits without customization. On their own, SharePoint and other generic intranet products require long setup, customization and governance planning when first installed, time which this product will eliminate. Other products tailored for credit union do not provide the breadth of services available from using a SharePoint platform.



## 2.3 The Products and Services

Figure 5 below establishes the package of products and services that form the basis of Peloton Software Inc.'s business model.

*Figure 5 Products and Services*



### 2.3.1 CU Employee Portal Features

The CU Employee Portal is an intranet for credit unions providing document and internally-facing web content management, collaboration and search based on the Microsoft SharePoint 2010 & 2013 platforms. The product provides features targeted to credit unions as well as for more general use. See Appendix A - Figure 24 – Home Page Wireframe.

Financial industry products, such as accounts and loans come with strict sets of employee policies and procedures, forms to fill while conducting business with customers and rates and fees which change daily. The CU Employee Portal Policies and Procedures feature organizes this information in a simple and easy to find way, creating quick to navigate relationships between documents, clear messaging of changes and categorization across several facets. The information can be sliced and diced by facets to which they relate, such as product type, subject, geography and banking technology. See Appendix A - Figure 26 - Procedure Wireframe.

Member contact centres of financial firms need all of this information as well as up to date rates and fees at their fingertips for fast and easy access. The Member Services Dashboard

feature provides all of the information needed during a call in one place, tailored to frequent use and fast access. Each member service representative can arrange their information to quickly find what they need, reducing call times and increasing customer satisfaction. See Appendix A - Figure 27 - Member Services Dashboard.

In addition, the portal provides more general-use features:

- Employee, branch and department directories & maps.  
See Appendix A - Figure 25 - Branch Directory Wireframe.
- How do I
- News, events & alerts
- Team sites & social sites
- Classifieds & Job Board

### 2.3.2 Wireframes

Wireframe diagrams representing sections of the product are shown in Appendix A:

- Figure 24 Home Page Wireframe
- Figure 25 Branch Directory Wireframe
- Figure 26 Procedure Wireframe
- Figure 27 Member Services Dashboard

### 2.3.3 Hosting

To host the portal, the customer will have three options:

The **public cloud option** provides scalable storage, fast setup and pricing based per user provided by Microsoft Office 365 SharePoint Online.

The **private hosting option** uses dedicated rented servers for the customer's organization only, managed by a third party firm. Customers can choose the company with whom they host, however, the firm will recommend SherWeb.com

The **in-house option** allows customers to host the servers at their own location, giving them full control over the system and its hosting environment.

## 2.4 Pricing

### 2.4.1 CU Employee Portal

Pricing will be based on server licenses and client access licences (CALs). Customers will purchase server licenses based on the number of servers they install the software on and CALs based on the number of employees using the software. These prices are for the CU Employee Portal only and do not include licenses for SharePoint or hosting – see section 4.1. The volume of server licenses and CALs will determine the price of the employee portal.

In order to calculate pricing the following assumptions are made:

- An average of 50 CALs will be purchased for public cloud hosting
- An average of 100 CALs will be purchased for private cloud/in house hosting
- Revenue of at least \$30,000 is required from each sale
- The software lifetime will be 3 years, after which time an upgrade will be purchased
- Private hosting consists of 2 web servers + 2 application servers = 4 servers
- In-house hosting will often require their additional staging/test servers = 2 servers

*Table 1 Employee Portal Basic Pricing*

	Public Cloud	Private Hosted	In-House
CAL (month)	\$11.11	N/A	N/A
CAL (lifetime)	N/A	\$130	\$130
Server Licence	N/A	\$4,738	\$4,738
Servers Expected	N/A	4	6

Volume licensing will be available for private hosting and in-house hosting upon negotiation. For example, a CUSO with 5 credit unions, each with 50 employees will be able to purchase 250 CAL volume license. Pricing is based on the following minimums:

*Table 2 Employee Portal Volume Licensing*

Minimum CALs	1	180	250
CAL Price	130	110	90
Minimum Servers	4	4	4
Server License	\$4,738	\$4,738	\$4,738
Revenue Expected (3-year lifecycle)	\$19,080	\$38,750	\$41,450

Competitor pricing for similar products varies between \$17,000 and \$44,000 for 100 employees for 3 years. For more detail on competitor pricing, see Table 6.

#### **2.4.2 Custom Software Services**

The firm will provide custom software services at a rate of \$175 per hour for customizations of the product and integration with other systems.

#### **2.4.3 Migration Services**

The firm will provide migration tools as well as custom software services at a rate of \$175 per hour for assisting with data migrated from legacy systems, including file shares and other intranets.

#### **2.4.4 Graphic Design Services**

The firm will provide graphic design and usability services to customers at a rate of \$150 per hour for customers who require a uniquely branded intranet or have specific usability needs. This branding is over and above the built-in features of the product, which provide the ability to change the logo and basic colours of the portal

#### **2.4.5 Bundles**

Bundles of design and custom software services limited to a fixed number of service hours will be available for implementing custom features and changing the look and feel of the employee portal to match the customer's brand:

*Table 3 Service Bundles*

	<b>Basic</b>	<b>Tailored</b>
Design Hours	80	120
Custom Software Hours	80	120
Discount	4%	6%
Total	\$24,960	\$36,660

## 2.5 Entry and Growth Strategy

The best markets in which to begin sales of these products are those where the density of credit unions with 30-200 employees and CUSOs is highest and where those credit unions have the greatest financial assets. For these reasons, entry will be in the state of California, which has the biggest market for credit unions in the US. California has the largest number of credit unions branches, the largest combined credit union financial assets, the largest number of CUSOs and the 2<sup>nd</sup> largest number of small credit unions (30-200 employees).

As the firm grows, the secondary states targeted will be Texas and Michigan. Texas has the largest number of credit unions and small credit unions in the US, is 2<sup>nd</sup> in the number of credit union branches, 3<sup>rd</sup> in financial assets and 5<sup>th</sup> in the number of CUSOs. Michigan has the 3<sup>rd</sup> largest number of small credit unions, is 5<sup>th</sup> in the number of branches and 6<sup>th</sup> in financial assets.

The following table shows the number of credit unions per state by the number of employees. The top 5 are shown only. For more details on market size, see section 3.2 Table 5 and section 3.4 Figure 8.

*Table 4 Credit Unions - By State & Number of Employees*

State	CUs with < 30 Employees	CUs with 30-200 Employees	CUs with > 200 Employees
<b>TX</b>	411	110	20
<b>CA</b>	273	106	31
<b>MI</b>	208	101	9
<b>NY</b>	362	53	15
<b>PA</b>	472	52	9
<b>FL</b>	104	49	19

(5300 Call Report Quarterly Data 2012)

Future growth will be a geographical expansion to cover the remaining 47 states, based on number of credit unions and CUSOs and an expansion into the Mutual Savings and Community Banks market across the US. Over time, the firm will also take advantage of its economies of scope and modify its products and services for other industries.

## 2.6 Brand

The firm's brand is based on the cycling term for a large group of riders, known as a Peloton. The brand message will be that Peloton delivers software which empowers teams to work together. The firm's logo will be:



In the US credit union industry, the prefix "CU" is often used in product names to indicate specificity to that market as well as a belonging to that market. For this reason, the Employee Portal is named: CU Employee Portal.

## **3: Market Research and Analysis**

### **3.1 Market and Customer Overview**

The market is defined as credit unions in the United States with 30-200 employees and credit union service organizations (CUSOs) in the United States.

Credit unions are not-for-profit financial cooperatives and as such, US legislation regulates the business in which credit unions can partake. However, it also allows for-profit organizations called credit union service organizations (CUSOs) which have a much broader scope. CUSOs are founded either for one specific credit union to allow it to perform a broader range of business, or for a group of credit unions so that they may share services amongst the group which they would not be able to provide on their own. IT is an example of the services which a CUSO will provide to its member credit unions to create economies of scale.

The firm will focus on credit unions with 30-200 employees because they have the greatest need for an off-the-shelf industry-specific intranet product. Micro-size credit unions with fewer than 30 employees are less likely to require software to assist with collaboration and will use tools such as email, telephone and face-to-face contact. Credit unions with a large number of employees will be more able to build their own intranet, or outsource the building of custom tailored collaboration solutions to IT consulting firms.

Credit unions are regulated by the National Credit Union Administration (NCUA) and many credit unions are members of the trade association Credit Union National Association (CUNA). Many CUSOs are members of the trade association The National Association of Credit Union Service Organizations (NACUSO).

### **3.2 Market Size - Credit Unions**

According to the NCUA, at the end of 2011, there were 7,179 federally insured credit unions in the United States serving 91.4 million members (5300 Call Report Quarterly Data 2012). The following table shows the number of credit unions, members, assets and locations by State:

Table 5 Credit Unions by State

State	Name	Credit Unions	Members (Mil)	\$ Assets (Bil)	Branches	\$/Member
<b>AK</b>	Alaska	12	0.64	6.5	128	10152
<b>AL</b>	Alabama	124	1.74	16.3	402	9356
<b>AR</b>	Arkansas	62	0.32	2.4	108	7363
<b>AZ</b>	Arizona	48	1.43	11.9	278	8313
<b>CA</b>	California	410	9.40	125.9	1642	13402
<b>CO</b>	Colorado	100	1.44	15.4	309	10742
<b>CT</b>	Connecticut	131	0.86	8.7	287	10046
<b>DC</b>	District of Columbia	49	0.36	6.5	103	17932
<b>DE</b>	Delaware	26	0.21	1.8	63	8645
<b>FL</b>	Florida	172	4.57	43.2	934	9438
<b>GA</b>	Georgia	150	1.87	17.7	430	9462
<b>GU</b>	Guam	2	0.06	0.4	6	6266
<b>HI</b>	Hawaii	83	0.81	9.3	188	11423
<b>IA</b>	Iowa	131	0.97	9.6	297	9920
<b>ID</b>	Idaho	40	0.52	4.3	161	8380
<b>IL</b>	Illinois	352	2.53	32.3	709	12808
<b>IN</b>	Indiana	170	2.11	17.7	576	8421
<b>KS</b>	Kansas	102	0.79	6.5	244	8,258
<b>KY</b>	Kentucky	84	0.73	6.3	197	8657
<b>LA</b>	Louisiana	217	1.18	8.9	458	7492
<b>MA</b>	Massachusetts	214	2.49	29.4	519	11834
<b>MD</b>	Maryland	108	1.75	18.9	334	10799
<b>ME</b>	Maine	64	0.62	5.6	197	9060
<b>MI</b>	Michigan	318	4.45	41.5	1051	9325
<b>MN</b>	Minnesota	147	1.52	16.2	389	10659
<b>MO</b>	Missouri	137	1.20	9.3	335	7793
<b>MS</b>	Mississippi	89	0.55	4.2	175	7575
<b>MT</b>	Montana	57	0.39	4.0	126	10217
<b>NC</b>	North Carolina	96	3.31	35.0	606	10569
<b>ND</b>	North Dakota	43	0.20	2.6	116	12488
<b>NE</b>	Nebraska	71	0.43	3.3	153	7709
<b>NH</b>	New Hampshire	21	0.49	5.3	96	10705
<b>NJ</b>	New Jersey	205	1.10	12.1	414	11031
<b>NM</b>	New Mexico	50	0.68	7.2	140	10578
<b>NV</b>	Nevada	16	0.21	1.8	59	8642
<b>NY</b>	New York	430	4.60	56.4	1070	12278
<b>OH</b>	Ohio	318	2.35	19.9	720	8492
<b>OK</b>	Oklahoma	71	1.05	10.5	239	9980
<b>OR</b>	Oregon	77	1.36	14.4	306	10569
<b>PA</b>	Pennsylvania	533	3.63	35.3	1056	9702
<b>PR</b>	Puerto Rico	12	0.07	0.5	26	7669
<b>RI</b>	Rhode Island	23	0.32	4.5	75	13807
<b>SC</b>	South Carolina	75	1.37	10.1	342	7351



<b>SD</b>	South Dakota	49	0.25	2.4	106	9742
<b>TN</b>	Tennessee	179	1.81	16.5	536	9138
<b>TX</b>	Texas	541	7.69	71.6	1639	9320
<b>UT</b>	Utah	87	1.72	14.5	427	8431
<b>VA</b>	Virginia	191	7.23	84.0	822	11612
<b>VI</b>	Virgin Islands	5	0.02	0.1	5	5355
<b>VT</b>	Vermont	27	0.31	2.9	78	9288
<b>WA</b>	Washington	111	2.80	31.5	505	11247
<b>WI</b>	Wisconsin	213	2.29	22.7	655	9913
<b>WV</b>	West Virginia	104	0.39	2.9	167	7541
<b>WY</b>	Wyoming	29	0.21	2.0	61	9438

(5300 Call Report Quarterly Data 2012)

### **3.3 Market Trends – Credit Unions**

#### **3.3.1 Internet Based Software Use**

Some small credit unions use internet-based software to manage their operations. Large credit unions use internet-based resources much less but are becoming more interested (Dernovsek, D 2012, 34). For example, the University of Kentucky Federal Credit Union uses “hosted applications... for its timekeeping and credit card systems” (Dernovsek, D 2012, 36). Reports suggest that some credit unions are “bringing cloud computing to the credit union industry” (Samaad, M, A 2011), however security concerns about use of the cloud are tempering adoption. The firm will need to regularly monitor market concerns about the cloud and plan product releases in line with any changes.

#### **3.3.2 Member Numbers**

The number of people who are members of credit unions is increasing. On the popular Bank Transfer Day, on Nov 5<sup>th</sup> 2011, 40,000 people transferred their accounts from banks to credit unions in protest at the failure of banks causing the global financial crisis (CUNA survey 2011). As this trend continues, the firm expects a growth in the size of its customers and their employee count, and with greater size comes a greater need to manage enterprise content, increasing the demand for the firm’s products.

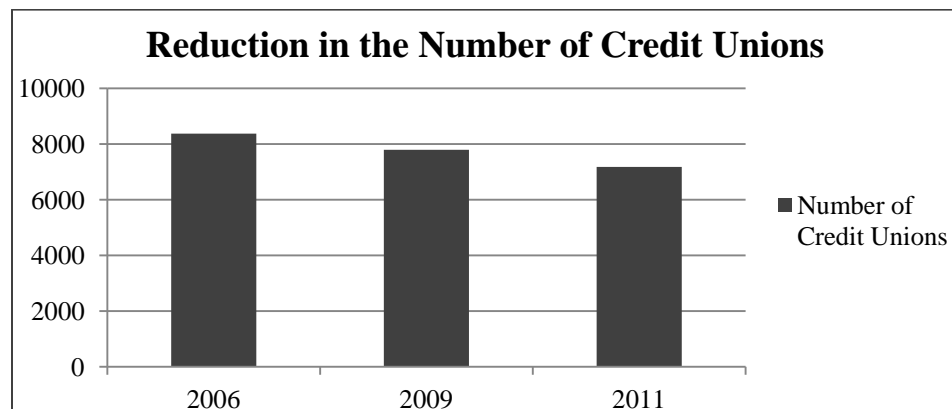
#### **3.3.3 Consolidation**

Consolidation has been a fixture of the credit union industry in North America for many years, the last 6 years seeing 2.5% reduction in numbers per year. As numbers have fallen,

however, assets have risen between 2.59% - 7.57% and the number of branches has risen slightly. This is happening partly due to technology adoption and regulation (Goddard, McKillop and Wilson 2008). As the level of regulation increases, it becomes harder for small credit unions to comply. The economies of scale that come with being a larger organization encourage credit unions to consolidate, pooling their implementation of regulatory requirements. Similarly, as technology becomes more complex and expensive, the same economies of scale again encourage consolidation.

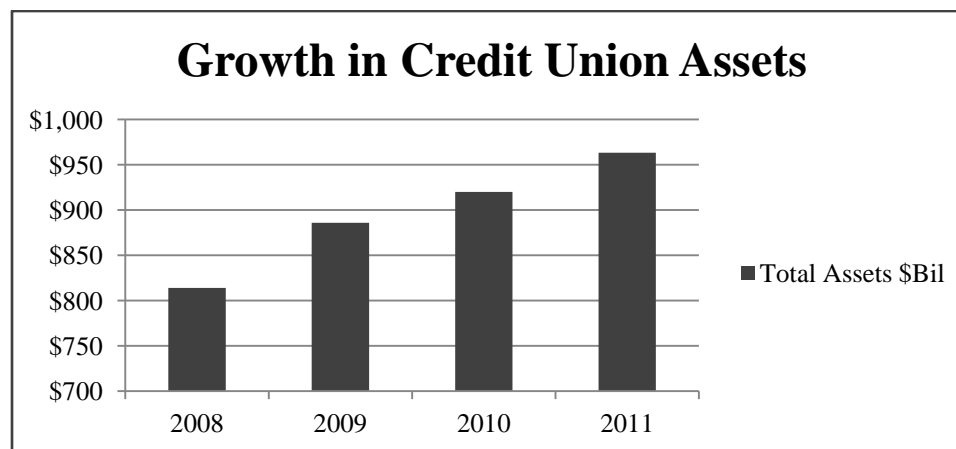
For the firm, consolidation will lead to an increase in the size of its customers and a subsequent increase in demand for its products, in particular its data migration services. It will also lead to the possibility of two customers merging and requiring their data to be merged.

*Figure 6      Reduction in the Number of Credit Unions*



(5300 Call Report Quarterly Data 2012)

*Figure 7      Growth in Credit Union Assets*



(CUDData.com 2011)

### 3.3.4 Young Members

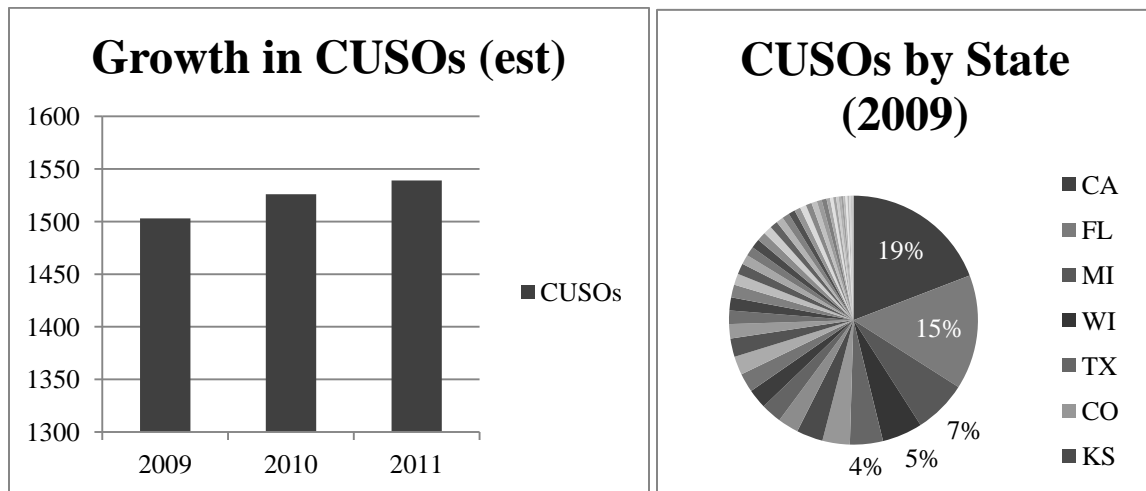
Credit unions across North America are attempting to increase the number of young members (Gen Y/Millennials) by engaging in innovative marketing campaigns and new marketing firms are appearing to fill that need. Chatter Yak ([chatteryak.com](http://chatteryak.com)) and Third Degree ([creditunionsavvy.com](http://creditunionsavvy.com)) are examples of marketing services firms providing information, resources and services such as social media campaigns to credit unions wishing to target a younger market (Samaad, M, A 2011). Young and Free ([youngfreehq.com](http://youngfreehq.com)) is an initiative to give young people a voice and raise awareness of financial literacy.

This younger market is more technology-aware and demands quicker response times from firms, increasing the demand for well organized information systems.

## 3.4 Market Size and Trends - Credit Union Service Organizations

California and Florida are the key states in the CUSO industry, housing over a third of all CUSOs in the US. In general, the number of CUSOs is growing slowly at a rate of 1-2% per year.

Figure 8 Growth in CUSOs; CUSOs by State



(5300 Call Report Quarterly Data 2012)

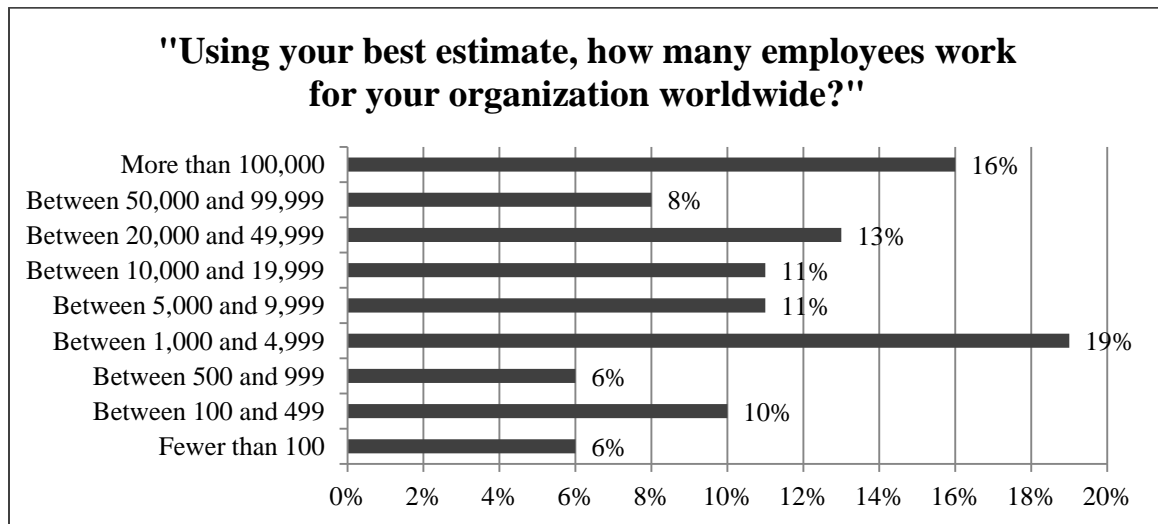
Note: This is estimated data – The 5300 call report data for CUSOs contains significant human error in the reporting of which CUSOs are used by each credit union. When reporting to the NCUA, credit unions frequently use slightly different names to refer to the CUSO they use. The data was scrubbed to remove the majority of these inconsistencies.

## 3.5 Buyer Demographics and Buyer Behaviour

### 3.5.1 SharePoint Customers

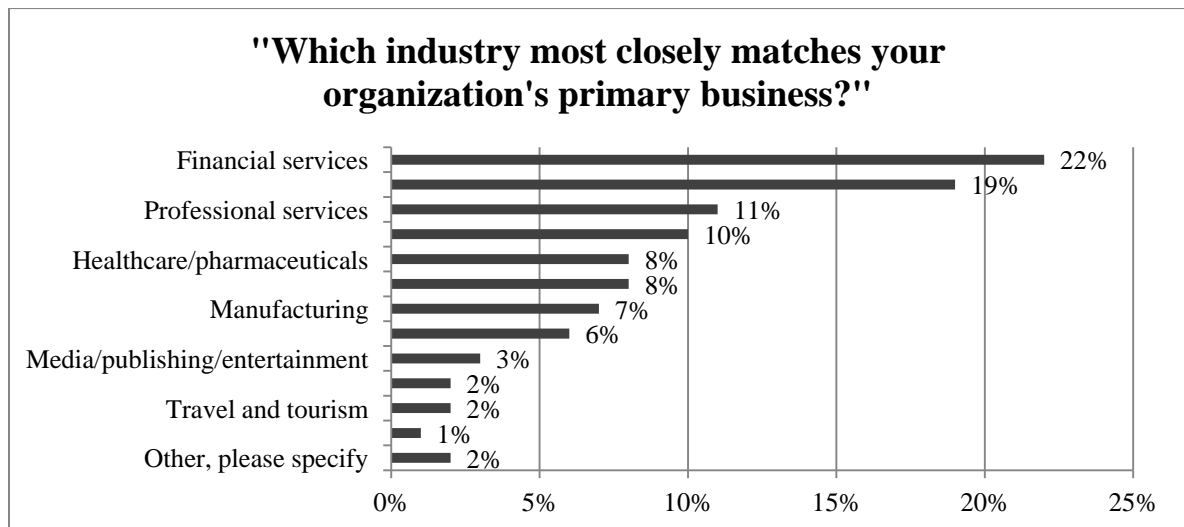
Forrester surveyed 510 IT decision-makers involved in evaluating, specifying or administering an existing SharePoint system. Figure 9 and Figure 10 indicate that there is a healthy use of SharePoint in small firms, although larger firms have greater usage, and that the financial industry is strongly embracing the use of SharePoint.

Figure 9 *SharePoint Customers - Number of Employees*



July 2011 Global SharePoint Usage Survey - Forrester Research, Inc. (Koplowitz 2011)

Figure 10 *SharePoint Customer's Industry*



July 2011 Global SharePoint Usage Survey – Forrester Research, Inc. (Koplowitz 2011)

### **3.5.2 Buyer Behaviour**

Decision makers in intranet purchasing decisions are VP and C-level, typically either in IT, Marketing & Communications or Human Resources. Senior managers are also expected to be involved in the decision process.

The buying process is estimated to be 2-3 months and will be a medium interaction process involving web-based demos, on-site demos and planning meetings for additional services and migration.

## **3.6 Market Segmentation and Targeting**

To determine further market segmentation, it is important to understand how customers choose among competing products.

Technology is an important customer preference: organizations will have a preference for and against certain technology brands based on the existing products they use and which their employees are trained in. There are economies of learning in a consistent technology approach. For example, if an organization has invested in staff, training and software for Microsoft based products, it will have a preference to continue with that brand over switching to Linux based products.

This preference can be approximated by looking at the technology used to run credit union and CUSO websites. Those which use Microsoft products to run their public website are more likely to use Microsoft based products internally.

A rough measure of preference for quality can also be made by scoring credit union and CUSO web sites by their visual and feature quality.

Other, less easily discernible, preferences which would prove useful for future investigation include: up-front cost, lifetime cost, features, ease of migration from existing systems, reliability, customer service, training and personal contacts.

### 3.7 Competition and Competitive Edges

The firm will face competition from existing intranet firms, both those that sell generic products and those that sell credit union specific products. The main competitors are as follows.

**Passageways:** Built by Purdue University Credit Union, Passageways sell an intranet targeted specifically at credit unions which provides document management, collaboration sites for teams and departments, full search and many other features. An example of a Passageways implementation is the “Simon” intranet for Delta Community Credit Union ('Simon' Says... 2009). Passageways sell 6 products.

**eDoc Innovations:** As a CUSO, eDoc Innovations has a long history in the credit union industry with several products targeted at that market and although they do not have an intranet product, they are a competitor due to their document management and search products, and their 20 year history in the credit union industry. DocLogic is a suite of scanning, document and records management products for use inside a credit union rather than member facing. eDoc Innovations sell 5 products.

**Now-IC:** The Orange Intranet is a social employee portal targeted specifically at Canadian credit unions, featuring straightforward social tools such as forums, groups, calendars and member directories. Now-IC sell 6 products.

**SimplifyIT:** The Its-Done Intranet Portal from Simplify IT is documented as including an employee portal, document management, knowledge base, eForms and many other features. It is difficult, however, to determine the quality of these products from the firm's website as it provides little information and no screenshots. Simplify-IT sell 2 products.

In addition to the above credit union specific products, the following firms provide intranet products not targeted at a specific industry, but which still represent potential competition:

**Moxie:** Employee Spaces is a highly developed intranet intended for communication, collaboration and social interaction. It focuses its design on people, projects and groups, and provides a rich set of wikis, blogs, profiles and many other features. This is one of the most developed intranets on the market. Moxie sell 3 products.

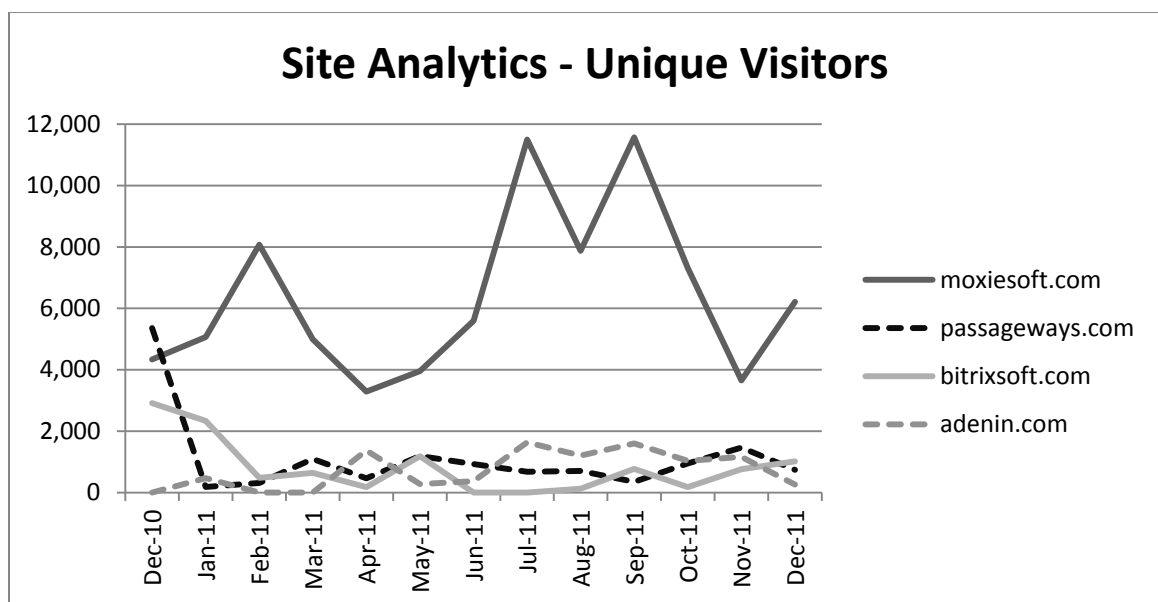
**Bitrix:** The Bitrix Intranet Portal is a well developed intranet product, featuring communication tools such as blogs and messaging, collaboration tools such as workgroups, wikis and document management, content and task management, and social tools such as discussion boards and photo galleries. Bitrix sell 5 products.

**Adenin:** The Enterprise Portal is an impressive intranet product with document and content management, as well as social features such as collaboration and people profiles. It also has a modeling tool which allows up to 100 components to be arranged in the user interface. Adenin sell 5 products.

### 3.7.1 Estimated Competitor Market Share

To understand the relative market share that these competitors have, it is useful to look at analytics for their websites. According to [www.compete.com](http://www.compete.com), in 2011, Moxie has a higher level of visitors to their site than Passageways, Bitrix and Adenin – See Figure 11 below. No analytics were available for eDoc Innovations, SimplifyIT or Now-IC. Although not an accurate measurement of sales or usage as customers do not use the vendor’s public site in order to use the product, this gives an indication of the size of the customer base and level of activity in marketing campaigns:

Figure 11 Competitor Site Analytics - Unique Visitors

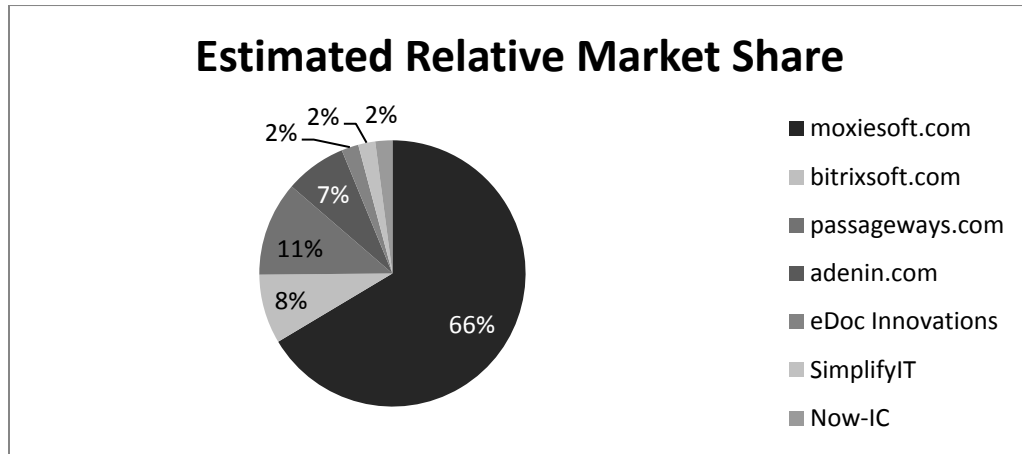


(compete.com 2011)

Estimated relative market share can now be calculated based on these site analytics and the following assumptions:

- Those without analytics have a 2% share
- All competitors primarily sell intranet products

Figure 12 Estimated Market Share



Based on these analytics and by comparing the number of products each firm sells, we can conclude that the top 5 competitors are: Moxie; Bitrix; Passageways, eDoc Innovations and Adenin.



### 3.7.2 Pricing

Table 6 below compares the firm's pricing with competitor pricing as shown on their websites. Not all competitors publish their pricing in this way, however, so in those cases various blogs and websites were used to estimate pricing. The Peloton price has been listed without hosting costs to aid comparison. Competitor pricing does not include the customer's own costs to host the product and maintain the servers:

Table 6      *Competitor Pricing*

Competitor	Information from Firm's Own Website	Estimated information	Estimate for 100 employees for 3 years
<b>Peloton</b>			\$31,008 Private hosted option Excludes hosting
<b>Moxie</b>		\$8 / user / month for basic features. Increases for other features (Morgan 2011) Estimate \$12 / user / month for average feature set	\$43,200
<b>Bitrix</b>	\$14,386 for 3 year Enterprise edition, 25 users & support + \$40 each additional user (Bitrix 2012)		\$17,386
<b>Adenin</b>	\$17,028 for perpetual license, 100 user licences & 3 years support (Adenin 2012)		\$17,028

### 3.7.3 Relative Competitive Advantage

In order to gain a more accurate understanding of relative competitive advantage we will look at five cost and customer utility advantages for these five competitors. Each advantage is described along with notes on its importance which will be used to weight the advantages for comparison. Each competitor will be scored on each advantage, based on information provided on their website. The most competitive players will be those who can demonstrate both a high cost advantage and a high customer utility advantage.

#### **Sources of cost advantage**

Sources of cost advantage arise where a firm has a low cost to produce a product relative to its competitors.

**Economies of Scope:** Firms gain a cost advantage when they can spread their fixed costs over a wide scope of products. Such economies occur in areas such as shared marketing and advertising spend. Competitors with more products receive a higher score.

Economies of Scale: Larger firms can gain a cost advantage due to their greater size by spreading fixed costs over a larger number of produced units. Competitors with higher sales will receive a higher score.

#### **Sources of customer utility advantage**

Complements: Products which build upon or complement an intranet system provide customer utility by increasing the value of the investment the customer has made in that system. A wide range of complementary products means that the customer can do much more with the product, potentially solving more problems or opening up more opportunities. Competitor products which integrate with other systems will receive a higher score.

Product Characteristics: The characteristics of a product can have a big impact on customer utility: its reliability, performance, ease of use, customization and how well its features meet customer needs. Competitors whose product features meet these criteria will receive a higher score.

Customer Service: The level of after sales service impacts customer utility in ensuring that the investment is successful over an extended period of time. Competitors with a better Service Level Agreements (SLAs) and web based customer service receive a higher score.

Scoring the top five competitors against these criteria using a scale from 0-5, Passageways, Moxie and Bitrix have the greatest relative advantage in intranet products. Details of the scoring calculations are shown in Appendix D, Table 24, along with calculation notes.

*Table 7      Competitor Advantage*

	Weight	Passageways	eDoc Innovations	Moxie	Bitrix	Adenin
<b>Sources of Cost Advantage</b>						
Economies of Scope	25%	5	4	3	3	4
Economies of Scale	20%	1	0	5	1	1
<b>Sources of Utility Advantage</b>						
Complements	15%	0	1	0	5	0
Product Characteristics	25%	5	1	5	5	4
Customer Service	15%	5	3	5	4	3
<b>Total</b>		<b>3.3</b>	<b>1.9</b>	<b>3.7</b>	<b>3.7</b>	<b>2.7</b>

In comparison against these scores , version 1 of the firm's CU Employee Portal product would score higher than eDoc Innovations because of its complement to SharePoint and tailored product characteristics, and lower than Adenin because of that product's advanced feature set and economies of scope. Based on these five criteria, the firm will seek advantage by ensuring the CU Employee Portal is a highly effective complement to SharePoint, and by building its economies of scope as the product base is expanded over time. Ensuring the firm has good customer support will be important.

### **3.8 Ongoing Market Evaluation**

To ensure it continues to have a good understanding of market conditions, the firm will review annually industry data provided by the NCUA, as well as the Credit Union Directory published annually by Callahan & Associates (Callahan & Associates 2012). The firm will also collect feedback from its customer and contacts on an ongoing basis and will review this data in an annual strategic planning week.

## 4: The Economics of the Business

To see how profits can be earned in this market, it is important to understand the economics the firm will operate within.

### 4.1 Revenue Sources and Gross and Operating Margins

Table 8 below shows revenue sources across three example sales of the CU Employee Portal product.

Example 1 shows a public-cloud hosted solution for a small credit union with 50 employees.

Example 2 shows a private hosted solution for a credit union with 100 employees.

Example 3 shows a large in-house hosted solution for the largest credit union size in the defined market segment, with 200 employees.

The table is divided into 2 parts: the price charged by this firm for its products and services; the additional costs the customer will incur for hosting and licenses of base Microsoft software. The firm will negotiate with hosting companies for bulk discounts on these items in order to extract a margin on them.

As an estimate of revenue, 5 sales of each example yield three-year revenues of:

Example 1: \$20,000 per sale, for 5 sales yield \$100,000

Example 2: \$31,008 per sale, for 5 sales yield \$155,040

Example 3: \$59,500 per sale, for 5 sales yield \$297,500

Based on these examples the firm expects an average Gross Margin of 50% and an Operating Margin of 12%. For more details on financial ratios, see Appendix C, Figure 37.

Table 8 below indicates these revenue examples as part of a detailed revenue sources and customer cost breakdown. The relevant row is marked with the following indicator (\*):

Table 8 Revenue Sources Detailed Examples

	Example	1		2		3	
		Cloud		Hosted		In-house	
	Hosting	50		100		200	
	Users	50		100		200	
Firm Price - Product	Price	Qty	Price	Qty	Price	Qty	Price
CAL (lifetime)	130.00		-	100	13,000		-
CAL (lifetime, discounted)	110.00		-		-	200	22,000
Server license	4,250.00		-	4	17,000	6	25,500
CAL (per month)	11.11	50	556		-		-
Firm Price - Services							
Graphic Design (per hour)	150.00		-		-	20	3,000
Branding Dev (per hour)	175.00		-		-	40	7,000
Installation	2,000.00		-		-	1	2,000
Margin on hosting (per month)	10%		-		28		-
Firm Revenue Totals							
Per month			556		28		-
Per Year			6,667		336		-
One off Costs			-		30,000		59,500
Firm Total for 3 years (*)			20,000		31,008		59,500
Additional Costs Payable by Customer - Hosting							
Hosting - SherWeb - 10Gb (per month)	60.00		-		-		-
Hosting - SherWeb - 50Gb (per month)	140.00		-	2	252		-
Microsoft SharePoint Online Plan 1 (per month)	6.25	50	313		-		-
Microsoft SharePoint Online Plan 2 (per month)	12.00	0	-		-		-
Additional Costs Payable by Customer - Licenses							
Microsoft Windows Server 2008	1,029.00		-		-	6	6,174
Microsoft Windows Server 2009 - CAL	40.00		-		-	10	400
Microsoft SharePoint Standard	4,926.00		-		-	4	19,704
Microsoft SharePoint Standard - Standard CAL	95.00		-		-	200	19,000
Microsoft SharePoint Standard - Enterprise CAL	83.00		-		-		-
Microsoft SQL Server	7,200.00		-		-	2	14,400
Hosting/SharePoint License Price Totals							
Per month			313		252		-
Per Year			3,750		3,024		-
One off Costs			-		-		59,678
Hosting/SharePoint Total for 3 years			11,250		9,072		59,678
Total for 3 years			31,250		40,080		119,178

## 4.2 Fixed and Variable Costs

Fixed and variable costs can be divided up amongst the levels and activities of the firm's value chain. Table 9 shows the detailed costs for year 1, based on these assumptions:

- Fixed costs are amortized over the relevant number of months
- Founder's time is divided between the listed roles on a percentage basis
- Founders are each considered to accrue a salary of \$60K
- 2 sales trips of 1 week duration are taken by each founder in the first year

Table 9 Fixed Costs

Value Chain Level	Value Chain Activity	Fixed Costs	Unit Cost	Qty	Total Cost	Amrt Mnths	Year 1 \$/Month	Year 1	%
Support	Firm Infrastructure	Legal			500	12	\$42	-	
Support	Firm Infrastructure	Insurance					\$1,000	-	
Support	Firm Infrastructure	Rent	5	200	1000	1	\$1,000	-	
Support	Firm Infrastructure	Utilities & Telephone					\$40	-	
Support	Firm Infrastructure	Depreciation					\$178	-	
Support	Firm Infrastructure	Bad Debt					\$98	-	
Support	Firm Infrastructure	Interest Expense					\$30	-	
Support	Firm Infrastructure	Furniture - Desks & Chairs	479	2	958	24	\$40	-	
Support	Human Resources	Hiring					\$250	Bob	5%
Support	Human Resources	Training					\$250	Daniel	5%
Support	Technology	Salaries - IT					\$250	Daniel	5%
Support	Systems	Software - Microsoft Silver Partner	1850	1	1850	12	\$154	-	
Support	Systems	Software - Microsoft Action Pack	329	1	329	12	\$27	-	
Support	Procurement	Hardware leasing	46	3	138	1	\$138	-	
Support	Procurement	SharePoint Hosting	49	4	196	1	\$196	-	
Primary	Define	Salaries - Product Definition					\$1,200	Bob	24%
Primary	Development	Salaries - Developers					\$3,200	Daniel	64%
Primary	Development	Salaries - Quality Assurance					\$900	Bob	18%
Primary	Deployment	Salaries - Infrastructure					\$500	Daniel	10%
Primary	M&S	Salaries - Sales & Marketing					\$2,200	Bob	44%
Primary	M&S	Salaries - Sales & Marketing					\$800	Daniel	16%
Primary	M&S	Promotion - Travel - Flights	700	4	2800	12	\$233	-	
Primary	M&S	Promotion - Travel - Hotels	150	8	1200	12	\$100	-	
Primary	M&S	Promotion - Travel - Auto	60	10	600	12	\$50	-	
Total FC / month							\$12,835		

The following table shows variable costs per credit union per month for the first year.

Table 10 Variable Costs

Value Chain Level	Value Chain Activity	Variable costs	Unit Cost	Qty	Total Cost	Amrt Mnths	Year 1 \$/Month		
Primary	Define	Wages - Contract Graphic Design	70	20	1400	36	\$39		
Primary	Development	Wages - Contract Developers					\$0		
Primary	M&S	Sales Commission					\$0		
Primary	Service	Wages - Customer Support					\$450	Bob	9%
		Total VC / customer / month					\$489		

When viewed from a value chain perspective, it is evident that these costs are weighted towards primary activities, with a 1:9 split between support and primary activities.

### 4.3 Operating Leverage and its Implications

The section above demonstrates that the cost structure is predominantly fixed-cost, mainly composed of from employee salaries, giving the firm a high operating leverage. Reaching the breakeven point is important for a high-operating leverage firm, so it is important that the firm regularly gathers and demonstrates responsiveness to customer feedback to ensure that the new features it is developing are in line with what the customer wants to buy.

The firm expects medium to high margins and low variable costs, and will be organized for medium volumes, expecting user license sales in the order of thousands. Revenue sources will be flexible and include server licenses and client access licences (CALs) based on the number of users for each credit union. Additional consulting fees will also attract revenue for services such as branding, data migration and custom feature development.

Adding an employee is the most significant driver of expenses, and so careful consideration will be taken regarding how and when to increase the employee count.

### 4.4 Start-up Costs

For the purpose of the economic review, start-up costs are considered to be those costs which are required to develop and deliver the product to customers for the first 12 months of operation. This includes the salaries for development of the prototype and the initial versions

made available to customers, as well as the required sales and marketing costs. Table 11 below breaks down the start up costs into cost types across time.

*Table 11 Start-up Costs*

Start-up Cost	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Wages - Development	0	0	0	4167	4167	4167	4167	4167	4167	4167	4167	4167
Wages - Sales	0	0	0	0	0	0	0	0	0	0	0	0
Wages - Graphic Design	3000	3000	0	3000	3000	0	0	0	2100	0	2100	2100
Flights	1200	1200	1200	1200	600	600	1200	600	600	600	600	600
Hotels	720	720	720	480	240	240	480	240	240	240	240	240
Auto	470	470	470	370	210	210	370	210	210	210	210	210
Conferences	3026	0	0	0	0	0	0	0	0	0	0	0
Development Env. Leasing	98	98	98	196	196	196	196	196	196	196	196	196
Hardware leasing	0	0	92	138	138	138	138	138	138	138	138	138
Owner Salaries	0	0	0	0	0	10000	10000	10000	10000	10000	10000	10000
Legal	1000	200	200	200	200	200	200	200	200	200	200	200
Insurance	500	500	500	500	500	500	500	500	500	500	500	500
Rent	0	0	0	0	0	1000	1000	1000	1000	1000	1000	1000
Professional & Membership	250	250	250	1500	250	250	250	250	250	250	250	250
Utilities & Telephone	200	200	200	200	200	200	200	200	200	200	200	200
Office Supplies	50	50	50	50	50	50	50	50	50	50	50	50
Depreciation	67	67	67	87	87	87	87	87	87	87	87	87
Bad Debt	0	0	0	0	0	124	0	124	12	124	12	162
Interest Expense	0	0	0	0	0	0	0	38	38	38	38	56
Total	10581	6755	3847	12088	9838	17962	18838	17999	19988	17999	19988	20156

<b>Total</b>	<b>\$176,040</b>
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See section 11.5.1 and Appendix C for the detailed Pro Forma Income Statement.

## 4.5 Breakeven Chart and Calculation

In order to continue through the start-up period, the firm must understand its breakeven point. To calculate breakeven, it is necessary to demonstrate how the above fixed and variable costs per month will be matched and exceeded by projected revenue. Fixed costs are principally development and sales; variable costs are predominantly customer support:

- Fixed costs per month: \$12,835
- Variable costs per CU per month: \$489
- Revenue per CU per month: \$790

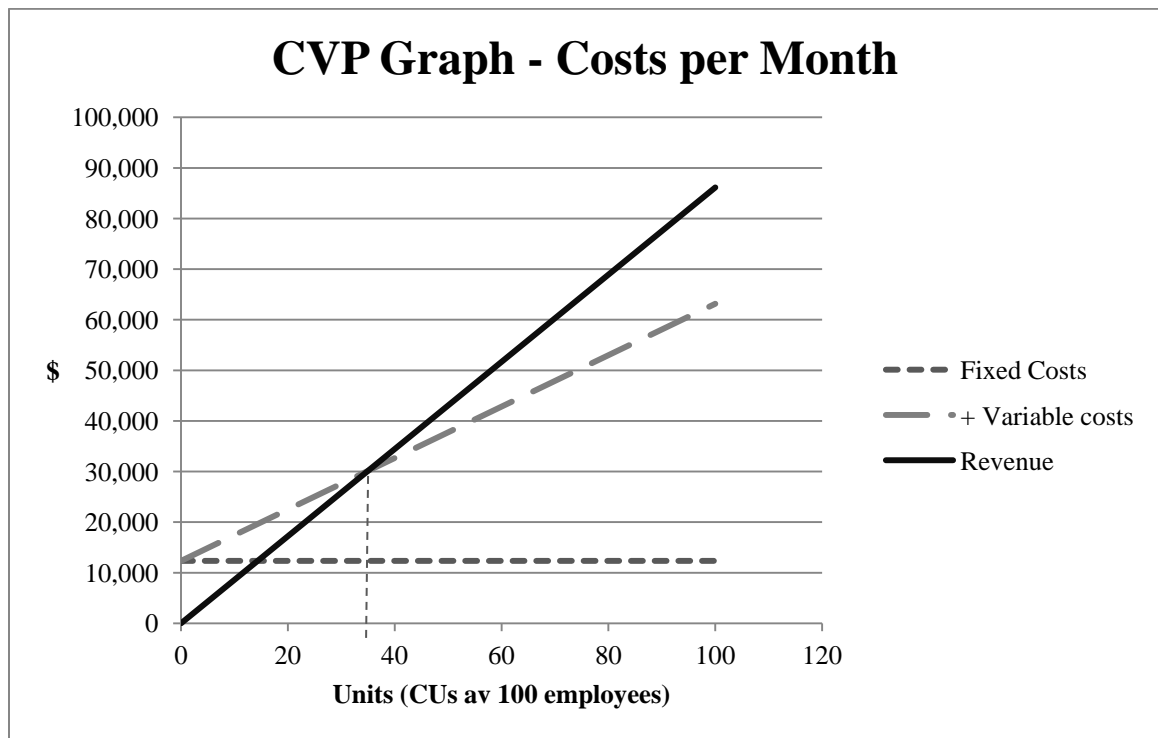


### Assumptions

- Credit union size: 100 employees
- Percentage of founder's time spread across the various roles as shown in Table 9

As can be seen from the chart below, the revenue required to offset costs leads to a breakeven volume (BEV) of 35 credit unions with 100 employees in a 3 year period, or approximately 9 CUSOs with 5 credit unions each.

Figure 13 CVP Graph - Costs per Month

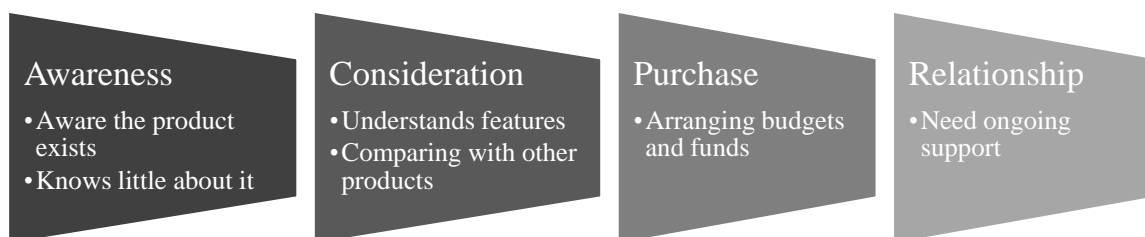


## 4.6 Overall Economic Model & Profit Durability

The firm's profitability is dependent upon its ability to scale selling and delivery across many credit unions. While SharePoint continues to be a major player in the ECM platform space, profit durability for its complements is likely. As SharePoint's price comes down over time so the value of its complements, such as the CU Employee Portal, increase. In addition, customer retention is assured by the prohibitive costs of switching to another product; existing customers of the firm would be disinclined to move and incur duplicate development costs. The firm will not be able to create entry barriers at least in the first few years.

## 5: The Marketing Plan

Customers go through journeys in their purchasing decisions, involving discussions with colleagues, sales interactions, marketing driven by vendors and content they find themselves. Marketing must manage these journeys in 4 stages (Shesterin 2012).



Specifically, the firm will seek to influence, enable and support the Customer's decision-making across these sales and marketing activities:



### 5.1 Overall Marketing Strategy

The firm's products will be marketed primarily by creating awareness and selling in both the credit union and CUSO markets. The marketing strategy will be to brand the product as the 'sweet-spot' between toolkit platforms that are capable but are expensive to customize and govern, and industry focused tools which are cost effective but fail to deliver to the business needs of the growing financial organization.

In year 1, Bob Smith's primary role as Vice-President will be to attract new customers and win contracts. In year 2, as the geographic area and client base grows, a second salesperson with knowledge of the industry will be recruited and trained in-house. For more details of employee growth by role, see section 7.1, Table 23

## **5.2 The Marketing Process**

The firm will target individual decision makers in pre-determined target customers, making face-to-face sales presentations to showcase the product. It will also use its website as a marketing tool to describe and show demos of its products. This is a not tactic chosen by most competitors, such as Passageways who do not show screenshots of their product on their website, preferring to restrict viewings to pre-qualified buyers. The firm will not follow this example, however, and will provide screenshots of major features on its website and a short video showcasing the product in use. The focus of online marketing will be to clearly demonstrate how the customer's internal business process, information storage and communications will improve as a result of the product's feature benefits. The firm will purchase Google Adwords for searches on the phrases: credit union; intranet; employee portal; credit union service organization.

In addition, the firm will join the NACUSO as a Contributory Member at a cost of \$1250 in month 4 and the founders will attend the NACUSO 2012 conference in May. Conferences will allow the firm to collect input from CUSO industry members on their document sharing and collaboration needs as well as build relationships with CUSO contacts and identify leads and opportunities. The conference cost is \$995 per person with hotel cost of \$199 per night (NACUSO 2012).

To create awareness directly in credit union decision makers, the firm will place advertisements in the trade newspapers, the Credit Union Times and the Credit Union Journal.

## **5.3 Potential Customers**

The firm will carefully select its initial target customers based on the criteria proposed in section 3.6, ensuring that sales and marketing resources are focused on those customers with preferences that match the firm's products.

### **5.3.1 Potential Credit Union Customers - California**

As shown in section 2.5, California is the state in which the firm will enter the market. In California, there are 106 small credit unions with 30-200 employees. In order to determine which to target first, the market will be segmented by financial assets, identifying those with the greatest assets: the 34 credit unions with assets greater than \$500M.

Table 12 Top Small Credit Unions in California

Star One	San Francisco	Contra Costa
Chevron	Keypoint	Honda
Stanford	Financial Partners	Altaone
F & A	Los Angeles Police	Credit Union Of Southern Ca
Caltech Employees	University & State Employees	Ventura County
Pacific Service	Los Angeles	Sesloc
Meriwest	S.F. Police	American First
Coast Central	Bay	Santa Clara County
First Entertainment	San Mateo	Sce
Northrop Grumman	Coasthills	Southland
1st United Services	Sierra Central	
Operating Engineers Local Union #3	Farmers Insurance Group	

(5300 Call Report Quarterly Data 2012)

There are 10 potential customers identified by segmenting which of the above use Microsoft technologies to run their web site:

Table 13 Top Credit Unions Using Microsoft Technologies

Credit Union	Website	Website Technology
Chevron	<a href="http://www.chevronfcu.org">www.chevronfcu.org</a>	Microsoft SharePoint
Meriwest	<a href="http://www.meriwest.com">www.meriwest.com</a>	Microsoft ASP
Northrop Grumman	<a href="http://www.norgrumfcu.org">www.norgrumfcu.org</a>	Microsoft ASP.Net
1st United Services	<a href="http://www.1stuscu.org">www.1stuscu.org</a>	Microsoft ASP
Keypoint	<a href="http://www.keypointcu.com">www.keypointcu.com</a>	Microsoft ASP.Net
Los Angeles Police	<a href="http://www.lapfcu.org">www.lapfcu.org</a>	Microsoft ASP
S.F. Police	<a href="http://www.sfpcu.org">www.sfpcu.org</a>	Microsoft ASP.Net
Ventura County	<a href="http://www.vccuonline.net">www.vccuonline.net</a>	Microsoft ASP.Net
Santa Clara County	<a href="http://www.sccfcu.org">www.sccfcu.org</a>	Microsoft ASP
Southland	<a href="http://www.southlandcu.org">www.southlandcu.org</a>	Microsoft ASP.Net

Segmenting by those with the highest scores in website quality, 4 or 5 out of 5, nine further potential customers can be identified – those not already listed above are marked (\*):

Table 14 Top Credit Unions with High Quality Websites

Credit Union	Website	Website Technology	Website Quality
(*) Financial Partners	<a href="http://www.fpcu.org">www.fpcu.org</a>		5
(*) Star One	<a href="http://www.starone.org">http://www.starone.org</a>		4
Chevron	<a href="http://www.chevronfcu.org">www.chevronfcu.org</a>	Microsoft SharePoint	4
(*) Coast Central	<a href="http://www.coastccu.org">www.coastccu.org</a>		4
(*) First Entertainment	<a href="http://www.firstent.org">www.firstent.org</a>		4
Northrop Grumman	<a href="http://www.norgrumfcu.org">www.norgrumfcu.org</a>	Microsoft ASP.Net	4
(*) San Francisco	<a href="http://www.sanfranciscofcu.com">www.sanfranciscofcu.com</a>		4
Keypoint	<a href="http://www.keypointcu.com">www.keypointcu.com</a>	Microsoft ASP.Net	4
(*) Sierra Central	<a href="http://www.sierracentral.com">www.sierracentral.com</a>		4
(*) Farmers Insurance Group	<a href="http://www.figfcu.com">www.figfcu.com</a>	Linux & PHP	4
(*) Credit Union Of Southern California	<a href="http://www.cusocal.org">www.cusocal.org</a>		4
Ventura County	<a href="http://www.vccuonline.net">www.vccuonline.net</a>	Microsoft ASP.Net	4
(*) Sce	<a href="http://www.scefcu.org">www.scefcu.org</a>		4

### 5.3.2 Potential CUSO Customers - California

Most of these credit unions each use 2 to 3 CUSOs for various services, 33 CUSOs in total, each of which are listed in Table 15 below along with the total number of employees served across those 34 credit unions. It is important to note that the number of credit union employees served by each CUSO is likely higher than listed here; however, below are the number of employees served at these top 34 small credit unions only.

The decision to locate the firm's California office in Los Angeles is based on this data. As the table shows, 27 of the 32 CUSOs in California are based in Southern California:

Table 15 CUSOs Serving the Top Small Credit Unions

CUSO	City	CU Employees Served
Financial Service Center Coop	San Dimas	2217
COOP Financial Services	Ontario	2063
CU Direct	Ontario	1081
CU Cooperative Systems	Rancho Cucamonga	1038
Ministry Partners Investment Company	Brea	491
CU ATM COOP	Rancho Cucamonga	318
Member Business Services	San Bernardino	313
Community Mortgage Funding	Pomona	289
CO-OP Network	Rancho Cucamonga	281
CUSO FINANCIAL	San Diego	237
Wescom Resources Group	Pasadena	215
Golden Bay Financial Services, Inc	San Jose	194
Meriwest Mortgage Company LLC	San Jose	194
Integrated Credit Union Services	Santa Clara	192
KeyPoint Financial Services Inc	Santa Clara	192
CoastHills Wealth Management, LLC	Lompoc	183
BPLLC	Chatsworth	159
Media Benefits Corporation	Hollywood	156
USE Affiliated Services Corporation	San Diego	152
COLA Insurance Service Corp	Glendale	148
COOP-Investment	Rancho Cucamonga	148
LAPCUSO, INC	Van Nuys	148
CU Service Center	Rancho Cucamonga	147
CFS	San Diego	136
CUSOCAL Partners	Brea	136
Credit Union Direct Lending	Ontario	131
American First Financial Services Inc.	La Habra	127
Flight Plan Financial Services	Gardena	126
SCC Financial & Insurance Services	San Jose	118
CU Roots	Ontario	117
SCFCU	Downey	89
FAFCU Financial & INS SVC	Monterey Park	66

(5300 Call Report Quarterly Data 2012)

Six potential customers can be identified by segmenting those which use Microsoft technologies to run their web site:

*Table 16 Top CUSOs Using Microsoft Technologies*

CUSO	Website	Website Technology
Financial Service Center Coop	<a href="http://www.fscc.com">http://www.fscc.com</a>	Microsoft ASP.Net
COOP Financial Services	<a href="http://www.co-opfs.org">http://www.co-opfs.org</a>	Microsoft ASP.Net
Wescom Resources Group	<a href="http://www.wescomresources.com/">http://www.wescomresources.com/</a>	Microsoft ASP.Net
KeyPoint Financial Services Inc	<a href="https://www.keypointcu.com/">https://www.keypointcu.com/</a>	Microsoft ASP.Net
Media Benefits Corporation	<a href="http://www.firstent.org">http://www.firstent.org</a>	Microsoft
LAPCUSO, INC	<a href="http://www.lapfcu.org">http://www.lapfcu.org</a>	Microsoft ASP

An additional three potential customers can be identified by segmenting those with the highest scores in website quality, 3, 4 or 5 out of 5 – those not already listed above are marked (\*):

*Table 17 Top CUSOs with High Quality Websites*

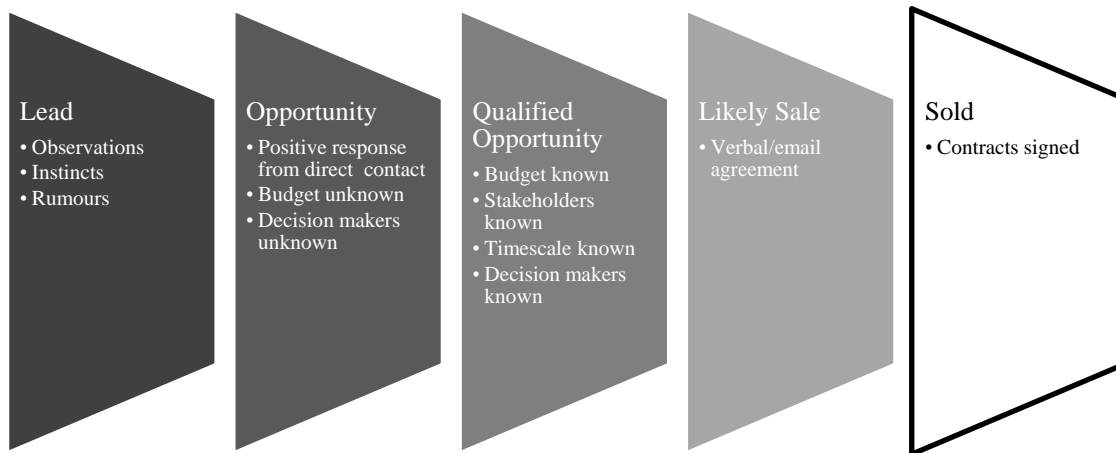
CUSO	Website	Website Technology	Website Quality
Financial Service Center Coop	<a href="http://www.fscc.com">http://www.fscc.com</a>	Microsoft ASP.Net	4
COOP Financial Services	<a href="http://www.co-opfs.org">http://www.co-opfs.org</a>	Microsoft ASP.Net	4
(*) Ministry Partners Investment Company	<a href="http://www.ministrypartners.org">http://www.ministrypartners.org</a>	Linux & PHP	4
KeyPoint Financial Services Inc	<a href="https://www.keypointcu.com/">https://www.keypointcu.com/</a>	Microsoft ASP.Net	4
Media Benefits Corporation	<a href="http://www.firstent.org">http://www.firstent.org</a>	Microsoft	4
(*) CUSO FINANCIAL	<a href="http://www.cusonet.com">http://www.cusonet.com</a>	HTML	3
(*) Community Mortgage Funding	<a href="http://www.cmfloan.com/">http://www.cmfloan.com/</a>	Linux & PHP	3
Wescom Resources Group	<a href="http://www.wescomresources.com/">http://www.wescomresources.com/</a>	Microsoft ASP.Net	3

The firm will target these 19 credit unions and 9 CUSOs in its initial marketing plan. Targeting these credit unions and CUSOs will give greater chance of success based on their buyer preferences.

## 5.4 The Sales Process

In controlling the customer journey through Consideration and Purchase, the firm will manage the sales cycle using this funnel of opportunities, with criteria for moving to each level:

Figure 14 Sales Funnel



Within each level, specific tasks are required to move the lead forward and to convert it to the next level. To fully convert a lead into a sale, the following high level tasks are performed. Table 18 below show the tasks and their estimated duration, rather than effort:

Table 18 High Level Tasks to Convert a Lead into a Sale

Level	Tasks to convert to next level	Estimate (days)
<b>Lead</b>		
	Gain introductions from contacts	25
	Telephone & email conversations	10
	Arrangements for online or in person demos	5
<b>Opportunity</b>		
	Meetings to determine budget, timescale stakeholders & decision makers	5
	Meet stakeholders and decision makers	2
	Present demos	2
	Follow up	10
<b>Qualified Opportunity</b>		
	Preparation of estimates	5
	Preparation of statement of work document	5
	Negotiation of price and terms	10
<b>Likely Sale</b>		
	Follow-up meetings	5
	Preparing contracts and/or invoices	5
<b>Sold</b>		



This yields an estimated 89 days from lead to sale, which in addition to the 30 collection period give a sales cycle from lead to payment received of 119 days.

#### **5.4.1 Sales Tactics - CUSOs**

Selling to CUSOs will involve direct contact with pre-screened individuals at the CUSO, contacted through personal networks, in person and by telephone.

When selling to CUSOs, it is important to convey the message that credit unions want and need intranets but that building their own intranet is expensive, time-consuming and requires specific technical understanding, in which the founders of Peloton have solid experience, having designed, built and sustained SharePoint intranets for the credit union market. The firm also needs to successfully demonstrate to CUSOs that they can make a margin by reselling the firm's product to their member credit unions.

#### **5.4.2 Sales Tactics - Credit Unions**

In the Awareness and Consideration stages, sales tactics will be directed at IT management and Communications directors and managers. In the Purchase stage, tactics will be directed at identified decision makers such as the C-level and VP-level members of marketing and IT.

When selling to credit unions, the central message to convey is the value created in collaboration and the advantage from time saved. Credit unions by their very nature understand the value in collaboration, and sales will communicate the benefits of electronic document collaboration. By reducing search costs and improving information management, not only can a credit union of 100 people deliver a faster service to its members, but by saving 5 minutes per day per employee from having well organized information and fast search, 2000 hours can be saved in one year across the organization; equivalent in hours to one full time employee.

Tactics will include on-line demonstrations of the product via a hosted version of the product on the firm's website, and on site sales presentations when leads reach the qualified-opportunity status. In the first year, the firm plans one or more sales trip per month for such on site sales presentations.

### 5.4.3 Projected Start-up Marketing Costs

Table 19 below shows the costs for year 1 for sales and marketing only and does not include development or general office expense:

Table 19 Projected Start-up Marketing Costs Year 1

Marketing Costs	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April
Flights: Total	1200	1200	1200	1200	600	600	1200	600	600	600	600	600
Hotels: Total	720	720	720	480	240	240	480	240	240	240	240	240
Auto: Total	470	470	470	370	210	210	370	210	210	210	210	210
Conferences	3026	0	0	0	0	0	0	0	0	0	0	0
Firm's Web Site	0	3000	0	0	3000	0	0	0	0	0	0	0
Owner Salaries (Marketing)	0	0	0	0	0	5000	5000	5000	5000	5000	5000	5000
<b>Total</b>	<b>5416</b>	<b>5390</b>	<b>2390</b>	<b>2050</b>	<b>4050</b>	<b>6050</b>	<b>7050</b>	<b>6050</b>	<b>6050</b>	<b>6050</b>	<b>6050</b>	<b>6050</b>

<b>Total</b>	<b>\$62,646</b>
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See section 11.5.1 and Appendix C for the detailed Pro Forma Income Statement and notes on individual line items.

## 5.5 Customer Service Cycle

Customer Service will include technical documentation, telephone support, web based forums and a web based help desk where support tickets may be submitted. The product will ship with technical documentation describing how it should be used by end users as well as instructional content informing content authors how to modify content in the intranet. The documentation will be accessed through the browser user interface of the product.

The firm will offer telephone support up to a fixed number of hours per month which, in year 1 will be the main customer service vehicle.

The firm's website will include a forum for customers to discuss the product and get assistance from the firm's employees on how to perform certain tasks or overcome issues. In addition, the web site will provide a Frequently Asked Questions section and a Help Desk where customers can submit support tickets.

Major customers will be assigned to a Customer Relationship Manager for personalized support and relationship issues. In Year 1, Bob Smith will conduct this role.

## **5.6 Warranty or Guarantee Policies**

Once the product reaches version 3, the firm will create a Service Level Agreement (SLA) with customers, specifying the following clauses:

- 99% uptime of the application when hosted on SherWeb
- Response within 24 hours for all submissions to the Help Desk
- Telephone support will be available between the hours of 6AM PST and 6PM PST

## 6: Design and Development Plan

### 6.1 Development Status and Tasks

Initial wireframe diagrams of the product have been produced and are shown in Appendix A. Graphic design and development of the software will begin in May 2012. The high level development tasks to build the prototype are:

Table 20      *High Level Tasks to Develop Prototype*

Task	Estimate (hrs)
Definition of business requirements and remaining wireframes	200
Graphic design	100
Setup of the development environment – See section 7.2.1	32
Development of the prototype	400
Testing of the prototype	100
Preparation of the hosting environment – See section 7.2.1	32
Deployment to the hosting environment	16
<b>Total</b>	<b>880</b>

### 6.2 Difficulties and Risks

The availability and cost of software developers with relevant SharePoint experience will be a risk, particularly if they are needed at short notice. SharePoint developer contract rates average \$55 / hour on the west coast of the US and can be as high as \$90 / hour (JobVolume.com 2012). Figures could not be found for BC, Canada but are expected to be similar.

### 6.3 Product Improvement and New Products

The products will be improved on an on-going basis, releasing a new version to customers every 2 months, driven by customer feedback. Customer feedback will also spark the creation of new products, where it is found that customers have a need which also meets the direction of the firm.

In addition, the firm will review other industries on an annual basis to determine which other industries the firm's products would be suitable for and what changes would need to be made in order to enter those markets.

## 6.4 Projected Development Costs

Table 21 below shows the year 1 costs for development only and does not include sales & marketing or general office expense:

*Table 21 Projected Development Costs Year 1*

Development Costs	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Wages - Development	0	0	0	4167	4167	4167	4167	4167	4167	4167	4167	4167
Wages - Graphic Design Contractor	3000	0	0	3000	0	0	0	0	2100	0	2100	2100
Development Env. Leasing	98	98	98	196	196	196	196	196	196	196	196	196
Hardware leasing	0	0	92	138	138	138	138	138	138	138	138	138
Owner Salaries (Dev)	0	0	0	0	0	5000	5000	5000	5000	5000	5000	5000
Utilities & Telephone	67	67	67	67	67	67	67	67	67	67	67	67
<b>Total</b>	<b>3165</b>	<b>165</b>	<b>257</b>	<b>7567</b>	<b>4567</b>	<b>9567</b>	<b>9567</b>	<b>9567</b>	<b>11667</b>	<b>9567</b>	<b>11667</b>	<b>11667</b>

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<b>Total</b>	<b>\$88,992</b>
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See section 11.5.1 and Appendix C for the detailed Pro Forma Income Statement and notes on individual line items.

## 7: Operations Plan

### 7.1 Operating Model

The operating model will be a continuous cycle of learning in which the firm builds new features, gathers feedback from customers, and feeds the learning back into the products. In the first year, each cycle will take 1 month and in subsequent years, 2 months. This cycle will be implemented through a development process with 5 key stages, which will be known as the 4DS process

*Figure 15 4DS Development Process*



**Discover** – In discovery, our front-stage employees, sales staff and developers involved in custom services, collect real world feedback from existing clients and input from potential clients on where the product should change in order to better meet their needs.

**Define** – Once discovered, employees in a design role will define how the product should work, look and feel in order to meet those needs.

**Develop** – In the develop stage, developers then implement the software as defined, technical authors document how it should be used and QA testers ensure that it meets those definitions.

**Deliver** – The change is then ready to be delivered to customers, which will be done either by upgrading their existing servers or by deploying to new servers and switching customers over during a planned deployment time window.

**Service** – After delivery to the customer, customer support is provided through the website and telephone as described in section 5.5

As mentioned briefly in section 0, the founders will fulfill most roles for the first 6 months, in the roles listed below and in subsequent years, roles will be fulfilled as follows:

*Table 22      Resourcing Role Fulfillment Over Time*

Area	Role	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	Salesperson	Bob	Bob Sales1	Bob Sales1	Bob Sales1	Bob Sales1
Development	Business Analyst	Bob	Bob Analyst1	Analyst1	Analyst1	Analyst1
Development	Information Architect	Bob	Analyst1	Analyst1	Analyst1	Analyst1
Development	Graphic Designer	Contract	Contract	Contract	Contract	Contract
Development	Developer	Daniel	Dev1 Daniel	Dev1 Dev2	Dev1 Dev2	Dev1 Dev2
Development	User Experience (UX) Dev	Daniel UXDev1	UXDev1	UXDev1	UXDev1	UXDev1
Development	Architect	Daniel	Daniel	Daniel	Daniel	Daniel
Development	Infrastructure Specialist	Daniel	Daniel	Daniel	Daniel	Infra1
Development	QA Tester	Bob	Bob Sales1	Bob Sales1	QA1	QA1
Development	Technical author	Bob	Bob Analyst1	Bob Analyst1	Bob Analyst1	Bob Analyst1
Development	Project Manager	Daniel	Daniel	PM1	PM1	PM1
Support	Call Centre Associate	Bob	Sales1	Sales1	Sales1	Sales1
Management	Development Manager	Daniel	Daniel	Daniel	Daniel	Daniel
Management	Sales & Marketing Manager	Bob	Bob	Bob	Bob	Bob
Management	President	Daniel	Daniel	Daniel	Daniel	Daniel

In year 1, resourcing will be split between roles in the following proportions – see section 0 for percentages spread between the 2 owners:

*Figure 16      Resourcing Year 1*

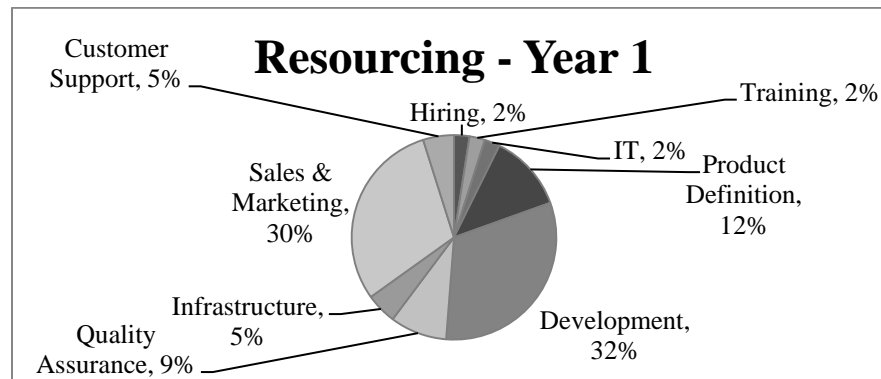


Table 23 below shows how the number of employees will change over time and the order in which roles will be hired:

*Table 23 Employee and Role Growth*

	Year 1	Year 2	Year 3	Year 4	Year 5
Employees	3	6	8	9	10
	Daniel	Daniel	Daniel	Daniel	Daniel
	Bob	Bob	Bob	Bob	Bob
	Dev1	Dev1	Dev1	Dev1	Dev1
		Sales1	Sales1	Sales1	Sales1
		UXDev1	UXDev1	UXDev1	UXDev1
		Analyst1	Analyst1	Analyst1	Analyst1
			Dev2	Dev2	Dev2
			PM1	PM1	PM1
				QA1	QA1
					Infra1

### 7.1.1 Front & Back Stage Processes

Sales will follow the funnel management process described in section 5.4, feeding sales into a backlog of projects which will be then handed off to development.

Business requirements in the form of wireframes, mock-ups and other documents will be produced by analysts and used by the development team who will breakdown the necessary work into a database of tasks to be completed for the upcoming iteration. The QA team will test the code developed twice per week and track any bugs in the same database. Developers will then fix the bugs and QA will retest. As source code is developed, it will be continually checked-in to a separate database in a secure server which is backed up daily to a second, off-site location for safety.

Before deployment, all production servers will be backed-up and virtual server snapshots will be taken to allow for roll back if problems occur. Deployments will occur after 9PM and will take approximately 3 hours. Production server databases will also be backed up on a daily basis and kept for 10 days.

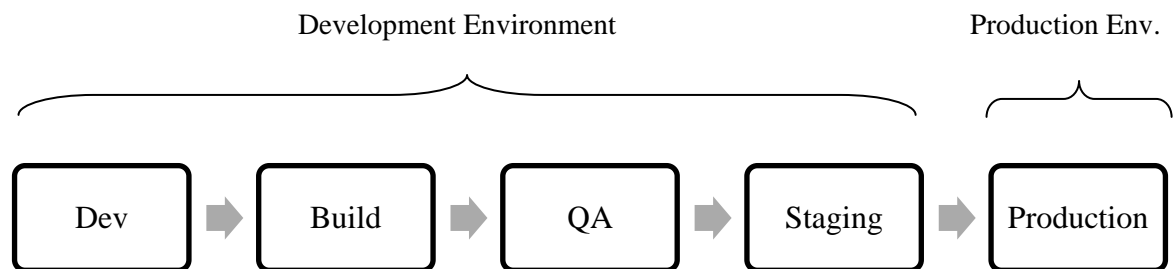
Customer service will keep a database of help desk tickets submitted from customers and reply to new tickets within 24 hours.



### 7.1.2 Management of Development Environments

Development of the products will be undertaken using a collection of logical environments, each of which will contain a set of physical and virtual servers. These environments are collectively known as the Development Environment. Once ready for use by the customer, the software will be installed in the Production Environment:

Figure 17 Flow through Development and Production Environments

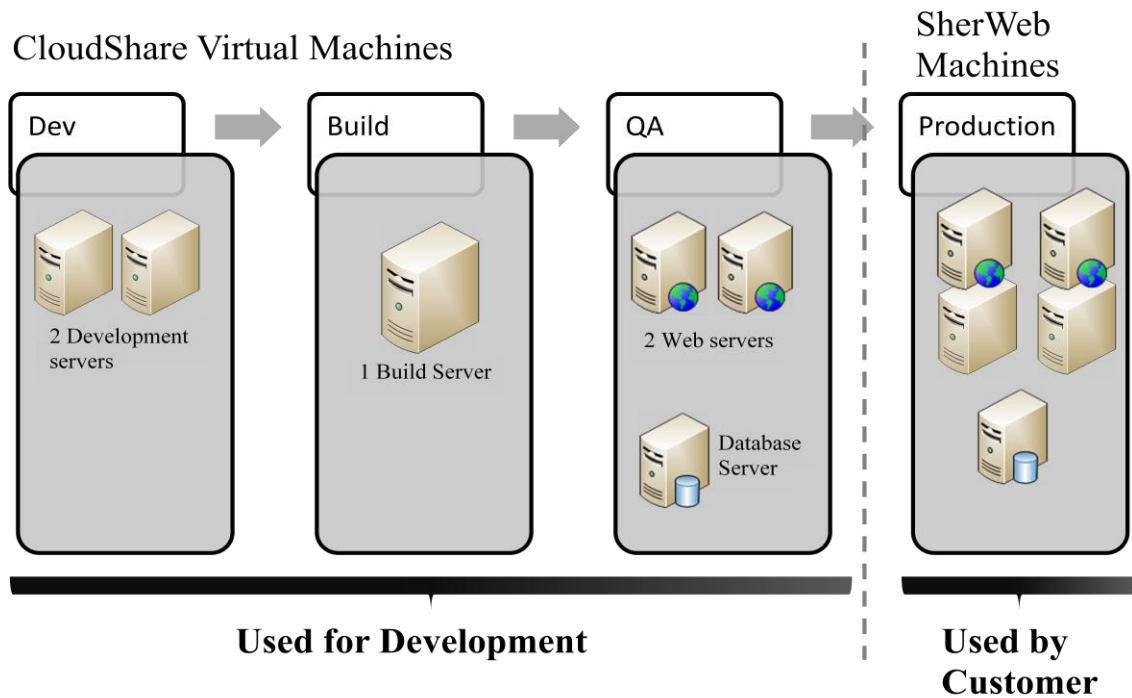


In year 1 the development environment will be built using virtualized SharePoint servers leased from CloudShare.com who provide hosted SharePoint development environments. Leased SharePoint servers will be used in order to increase the speed at which environments can be provisioned whilst reducing the cost of building and maintaining the environments and also reducing the infrastructure knowledge required to create and maintain them.

To understand this flow, consider this diagram from left to right. There will be 2 Dev machines which will be single high specification machines running SharePoint, SQL Server and Visual Studio, making them entirely self contained development machines. The Build machine will provide a point of integration between the Development machines, continuously building the product code multiple times a day as code is changed. The QA machines will be more representative of the specifications of the Production environment, having a load balanced web farm, which will allow testing of the products in an environment more like Production, which will typically consist of 2 web servers, 2 application servers and 1 database server.

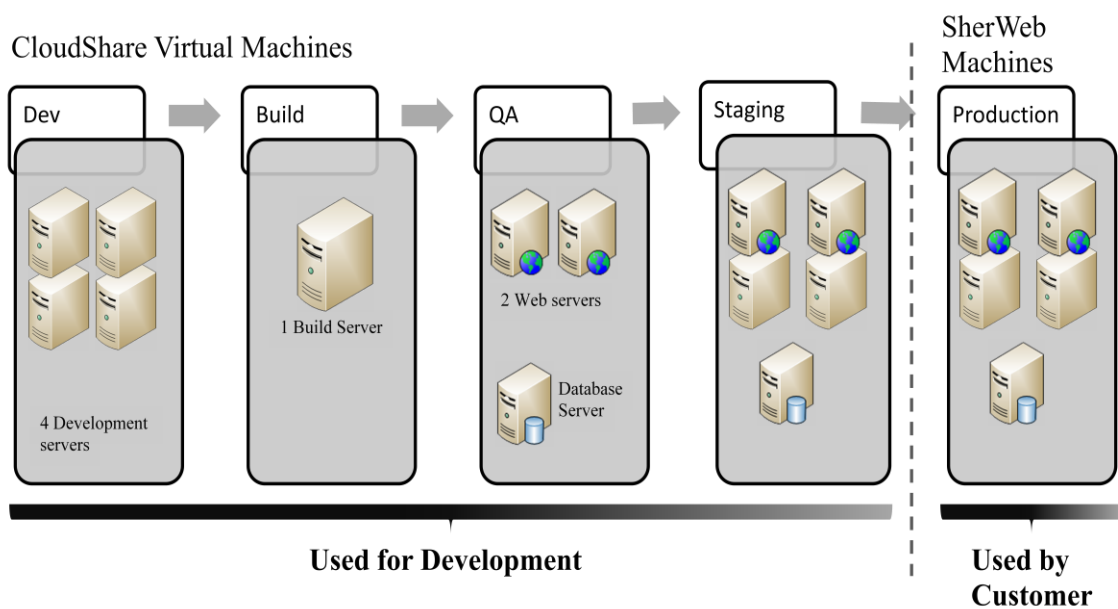
In year 1, the firm will not use a staging environment to reduce costs and maintenance, and so in more detail, the flow is as follows:

Figure 18 Development Environment Year 1



In year 2, as the development team is expanded, the development environment will be increased by adding more development machines and a staging environment which will closely mimic a Production environment, giving the firm a high confidence of software quality before it is deployed to Production:

Figure 19 Development Environment Year 2



### **7.1.3 Management of the Development Processes**

Development of the software will follow the 4DS process with the Define and Develop stages following the Scrum methodology. Software will be designed and built in iterations of one month long, gathering feedback often and early.

### **7.1.4 Hiring Plan**

In the short term, employees hired will be junior resources principally because of the cost advantage and their expected high energy and willingness to pitch in with the varying demands of a start-up. Candidates will be selected who exhibit talent, skill and good potential for future growth. Initial hires will be developers, UX developers and sales persons.

### **7.1.5 Likely Suppliers and Contractors**

Other than employees, the firm's suppliers will be software and hardware vendors, and hosting companies.

Throughout the development cycle, Microsoft will be the supplier of operating systems, SharePoint, Visual Studio, SQL Server, and the Office suite of products. Cloud Share will be the supplier of cloud hosted development environments.

The product itself may contain components purchased or licensed from other vendors, including Bamboo Solutions and Telerik who are suppliers of reusable .Net and SharePoint components. In addition it is likely that the product will take advantage of open-source software where the licensing agreements allow for it to be used in sellable products.

Initially, the firm will rely on contract graphic designers for the design of its public website and products as well as for services provided to clients on an hourly basis. The firm will consider hiring a full or part time designer after the first 5 years.

Peaks in development workloads will be handled by hiring contract developers, either individually or from companies such as Rapid Mind Solutions.

Accounting will be outsourced to a local firm.

## **7.2 Geographic Location and Physical Location Requirements**

The development office will be located in Vancouver, BC and will require telephone and high-speed internet connection. The firm's US subsidiary will be located in Los Angeles, CA where a sales office will open in year 3.

## **7.3 Facilities and Improvements**

The firm will begin operations from an available space in the home of one of the founders in Vancouver, BC. Further office space will be leased when the firm reaches 4 people, which is expected by May 2013, and will be entry level start-up friendly office space in Greater Vancouver, in the range of \$2- \$3 per square foot.

Start-up friendly office space in Los Angeles can be rented at very competitive prices, as low as \$2 per square foot. These locations will be considered when opening the California office.

## **7.4 Equipment Requirements**

The firm will purchase a Microsoft Action Pack subscription for \$368 which provides: Word, Excel, and other office products; windows operating systems; visual studio development software licenses, SQL database and several other software products.

Computers will be leased from Dell for \$46 per month. Leasing will assist with balancing cash flow and ensure that computers can be upgraded frequently. Office furniture will be purchased from Ikea – Chairs \$223; Desks \$256. All prices include tax.

## **7.5 Capacity Levels and Inventory Management**

Software delivery capacity will be provided by each customer having their own hosting environment, consisting of a load-balanced web farm to ensure high availability and low response times. See section 7.1.2 for Production environment infrastructure diagrams.

## **7.6 Legal Issues Affecting Operations**

Customers will be required to sign an End User Licensing Agreement (EULA), which will be prepared by a lawyer. Employees will be required to sign an employment contract, prepared by the firm and reviewed by a lawyer.

## **8: Management Team**

### **8.1 Key Management Personnel and Responsibilities**

Daniel Flippance, of Vancouver, BC, Canada, is the President and VP of Development of the firm. He has been employed with Habañero Consulting Group since 2006 and currently holds the position of Solution Architect. During his tenure at Habañero, Daniel designed and led the development of 15+ web sites, intranets and extranets, from \$60,000 to \$2,000,000, including the public website and intranet for one of Canada's largest credit unions, and the public website for a leading Canadian pizza restaurant chain. He has provided technical leadership and management of development teams for 15 years in Canada, the UK and the Netherlands. Daniel holds a Bachelor of Science in Mathematics with Computation from Exeter University, UK, and is a 2012 MBA candidate of the Beedie School of Business at Simon Fraser University, BC.

Bob Smith, of Vancouver, BC, Canada is the Vice President and VP Marketing of the firm. He has been employed with West Coast Credit Union since 2007 and currently holds the position of Senior Manager of Digital Communications. During his tenure at West Coast, Bob managed a department of 20 people and was the product owner of the corporate SharePoint intranet implementation project, a \$2M project spanning 2 years following the acquisition of another credit union. Bob has provided leadership and management in the credit union industry for 16 years in western Canada and the United States. Bob holds a Bachelor of Arts from the Seattle University, WA and an MBA from the Beedie School of Business at Simon Fraser University, BC.

## 8.2 Organization Structure

Figure 20 Initial Organization Structure

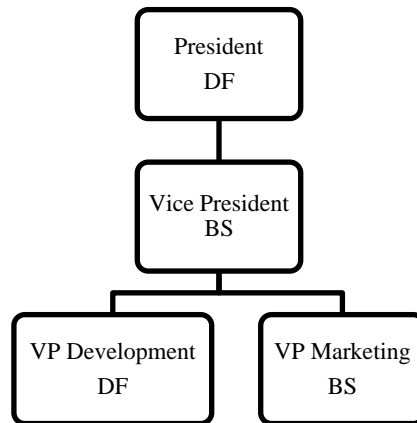
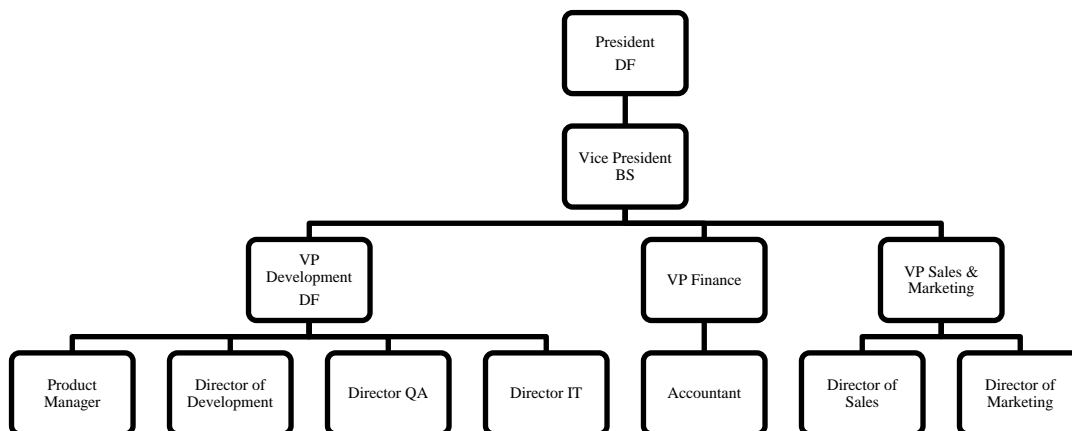


Figure 21 Future Organization Structure



## 8.3 Management Compensation and Ownership

Each founder has agreed that in year 1, they will not accrue a salary until the first sale of the product. After that time their salary shall be \$60,000 in year 1. In subsequent years, their salary shall be: \$80,000 in year 2; \$90,000 in year 3; \$100,000 in year 4; \$110,000 in year five. Salaries may be reviewed if the firm performs much better than planned.

At incorporation, the firm will be owned 50%/50% between the 2 founders, each investing \$25,000 into the firm.

## **8.4 Other Partners and Current Investors**

There will be no other partners or investors at incorporation.

## **8.5 Employment and Other Agreements, Stock Option and Bonus Plans**

Each founder has an equal ownership stake in the company. Their equity contribution will be neither transferrable nor withdrawn for a period of five years from the start of the venture. Should a founder decide to forgo their stake in the company, they will not be entitled to any portion of their investment during that period. Furthermore, each founder has signed a non-competition agreement in order to safeguard the firm, should they decide to leave the venture.

There are no incentive stock options or other stock ownership plans planned or in effect for key people and employees at this time.

Should a third owner be invited to join the company, the shares will be provided in equal proportion from each of the founders.

## **8.6 Board of Directors and Board of Advisors**

At incorporation, the Board of Directors will consist of the 2 founders. A Board of Advisors will be formed consisting of: Mike Brannigan, a credit union senior manager with extensive industry connections; Dean Irving, an experienced entrepreneur with excellent contacts in the SharePoint space, including with the Microsoft product team; and Chris Folsom, an IT manager with a California based CUSO.

## **8.7 Supporting Professional Advisors and Services**

Owen Bird Law Corporation will provide legal services, a firm with experience in software company legal issues. Maharaj & Company, a firm with excellent small business accounting knowledge, will provide accounting services. TD Canada Trust will provide banking services.

In the technology side of the business, RapidMind Solutions will provide SharePoint development services when necessary to cover periods of peak development effort; and Cotherige IT will provide outsourced IT Infrastructure services when necessary.

## **9: Overall Schedule**

The sales cycle is 119 days long, so significant financing will be required to cover employee salaries during this period. This long sales cycle illustrates the importance of frequent and short product release cycles, particularly in the short term.

The following schedule incorporates these frequent release cycles and shows development release activity every 2 months, and continuous high level sales activities and road trips. Figure 22 shows the schedule for the first 2 years and Figure 23 shows a higher level summary schedule.



## 9.1 Month by Month

Figure 22 Schedule Years 1 and 2

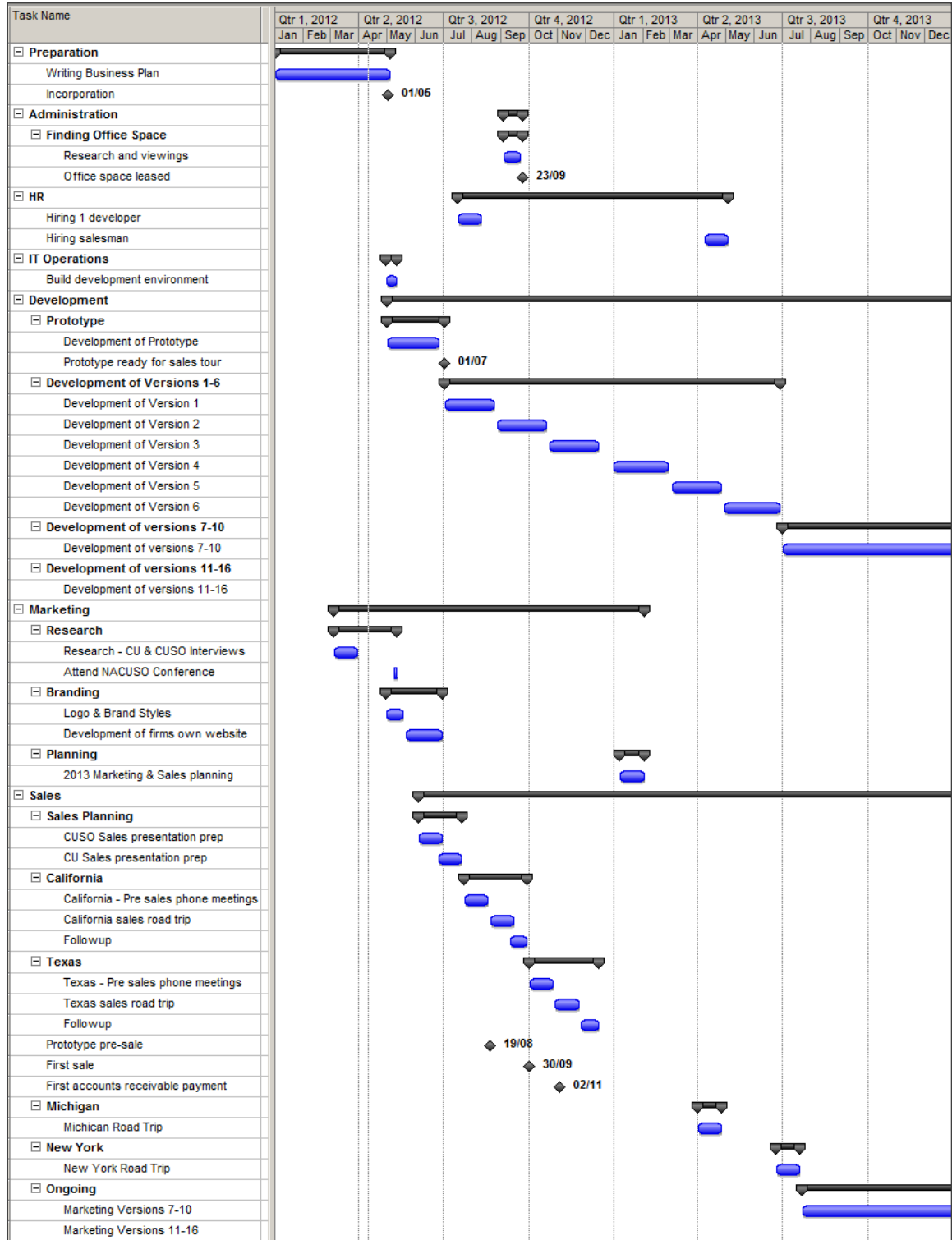
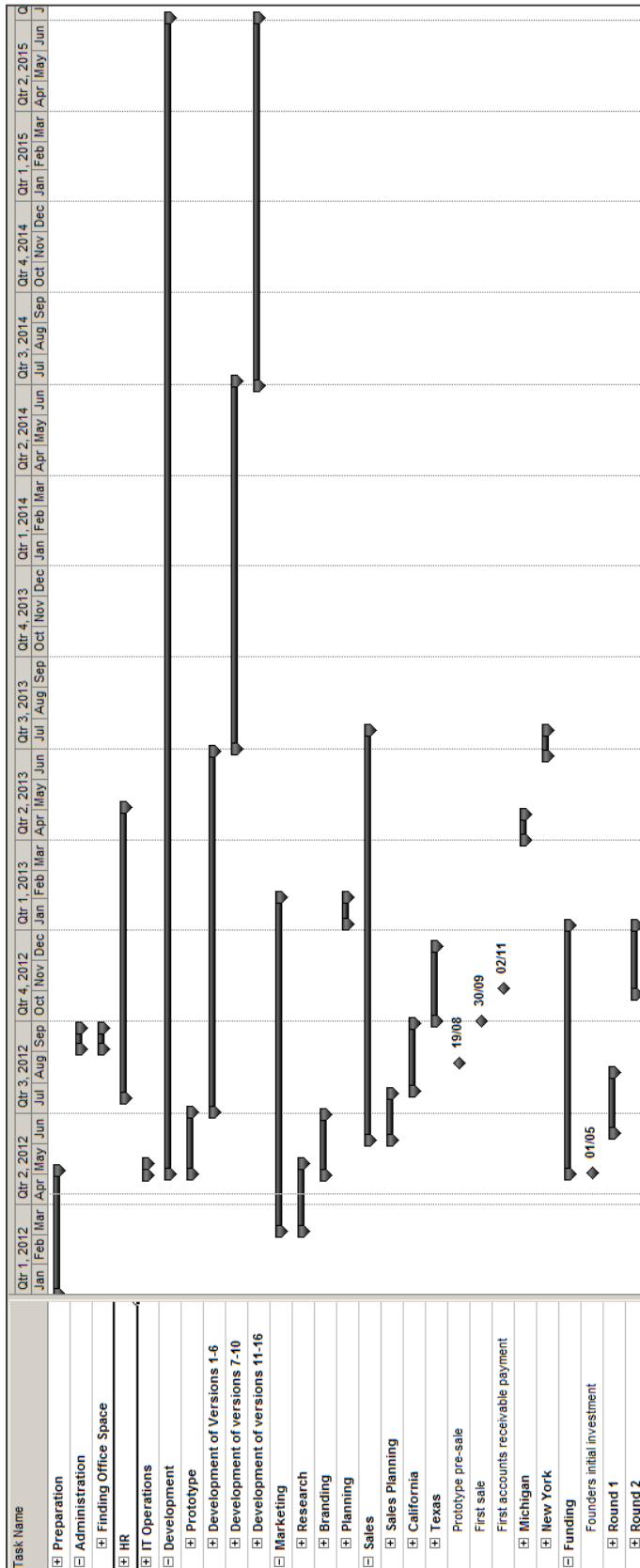


Figure 23 Schedule Years 1-3



## **10: Critical Risks, Problems, and Assumptions**

To ensure a successful start-up, the firm's directors will implement a risk assessment plan in month 1. This plan will prioritize risks, establish measures to reduce those risks to an acceptable level and build contingencies which will trigger in the event of unavoidable incidents. The critical risks have been identified below.

### **10.1 Legitimacy**

To become successful, the firm must address the issue of how to ensure, as a start-up, Canadian business, that it is perceived as a legitimate choice of outsourced services for a risk conscious US financial industry.

Legitimacy is built on track record and recommendation, on following legal requirements and industry best practices. As such, the firm will become a Microsoft Silver Partner in the first 6 months, and will work with existing contacts in the Microsoft Partner Network on sales leads and opportunities. The firm will open a US sales office in Los Angeles, CA, abiding by all US federal and state laws, and will promote the founders experience in SharePoint development for credit unions. The founders will actively network in the credit union industry to extend their relationships in the Californian market as well as others.

### **10.2 Cloud**

As noted, there is considerable uncertainty regarding when cloud based solutions will be generally perceived as either more secure than in-house hosting or low enough a risk to be acceptable. The firm will address this by focussing on private hosted and in-house hosting models and adopting the public cloud model as a future endeavor.

### **10.3 Cross-border Issues**

Differences in tax laws, labour laws and changing exchange rates pose a risk to finance and operations. On incorporation, the firm will ensure that it has excellent legal and accounting representation to determine that its plans will be viable given the laws and exchange rate at that time, as well as any anticipated changes. Regular reviews will be undertaken by the firm and its representatives to monitor changes and take corrective action.

### **10.4 Systems Failure**

The firm's intellectual assets and on-going operations face risk of systems failure. To address these risks, the firm will put back-up processes in place for its customer data and product source-code, including off-site duplication. To ensure operations can continue in a systems failure event, duplicate hosting environments will be made available with a short turn-around time. In addition, the firm will test back-up and restore capabilities on a regular basis.

## **11: Financial Plan**

### **11.1 Highlights of the Financial Statements**

The firm will take a conservative approach to the financial plan and employ bootstrapping strategies where appropriate rather than taking on long-term debt in the first few years.

The founders will not incur a salary until after the first full sale of a private-cloud or in-house Employee Portal license, after which their salary will begin at \$60,000 and increasing up to an industry standard rate by year 4.

In the first year, the firm targets selling a prototype version of the private-cloud Employee Portal to one customer in order to get initial feedback. The customer will pay a heavily discounted price of  $\frac{1}{4}$  the full product rate and the sale is planned for 4 months after the firm begins operations. For the remainder of the first year the firm expects 1 sale of the private cloud CU Employee Portal every 2 months, a small amount of related services revenue and no sales of the in-house CU Employee Portal.

In the second year, the firm expects 1 sale of the private-cloud CU Employee Portal every month, growing each year, 1 sale of the in-house CU Employee Portal every 4 months and a moderate amount of revenue from services revenue. In subsequent years, the private-cloud and in-house CU Employee Portal sales are expected to increase at a moderate rate in-line with the conservative approach.

A short term loan of up to \$15,000 is required to finance development after the first 6 months for a period of 10 months. The loan will be increased as necessary, in \$5,000 increments and will be either a line of credit or a small business loan.

### **11.2 Months to Breakeven and to Positive Cash Flow**

Based on the breakeven volume (BEV) of 35 credit unions sales or 9 CUSO sales shown in section 0, the BEV expected to be reached in 28 months. Positive cash flow first occurs in month 7. Positive retained earnings are expected in month 17.

### **11.3 Key Financial Assumptions**

The following assumptions are made:

- Blended federal and provincial tax rate of 20%
- Short term loan interest rate of 4.5%
- Junior employees salary will start at \$50,000 and will increase at a higher rate than more senior employees, therefore employee salary increase expect is 4%
- Bad debt is calculated at 0.5% of Gross Margin.
- In years 1 & 2 we expect 1 sales trip per month., increasing in years 3, 4 and 5
- Graphic design contractor rate is \$70 per hour

### **11.4 Key Cost Controls**

Costs will be monitored weekly

### **11.5 Pro Forma Financial Statements**

Pro Forma financial statements for years 1-5 are listed in Appendix C. Years 1 and 2 are presented monthly and years 3-5 are presented yearly.

#### **11.5.1 Pro Forma Income Statement**

In compliance with GAAP and IFRS, the income statement is based on accrual accounting. Software is depreciated over 1 year and furniture is depreciated over 2 years.

May and August of year 1 include graphic design services for designing the CU Enterprise Portal. June and September include graphic design services for designing the company website. Subsequent graphics design fees are for customer services and product updates.

Additional flights and hotels will be needed in May – August year 1 for the NACUSO conference in May and for extended sales trips to meet with prospective customers to collect input for the product prototype. The NACUSO conference will be attended each year in May.

Developers are hired in August Year 1, May year 2 and May year 3.

Fees for the NACUSO membership are paid in August year 1.

Sales for the cloud hosted product do not begin until the end of 2013.

### **11.5.2 Pro Forma Balance Sheet**

Collection of receivables uses the financial aging principle where 20% of receivables are collected within 30 days and 80% are collected in the following 30 days. Because most of the payables are salary/wages, these will be mostly paid in the current month, and so 90% of payables are paid in the current month and 10% are paid in the following month.

A short-term loan is taken out in Dec year 1 and repaid by Oct year 2. In year 5 the forecast indicates a robust cash position, at which time the firm will consider expansion.

### **11.5.3 Pro Forma Statement of Cash Flows**

The statement of cash flows is based on cash accounting.

### **11.5.4 Pro Forma Financial Ratios**

Financial ratios show good Return on Sales (ROS) and a Current Ratio well above one. A value above one indicates the firm is able to pay off its obligations, which is due to the bootstrapping strategy limiting current liabilities.

## **12: Proposed Company Offering**

### **12.1 Desired Financing**

During the start-up phase, each founder will contribute \$25,000 to launch the business and own 50% of the firm.

### **12.2 Use of Funds**

Funding will allow the firm to establish the necessary resources, develop version one of the product, implement the initial marketing plan and provide the necessary IT infrastructure.

### **12.3 Investor's Return**

Founders will take a 10% dividend once the firm reaches positive retained earnings, forecast to be after 17 months.



## **Appendices**

## Appendix A – Employee Portal Wireframes

Figure 24 Home Page Wireframe

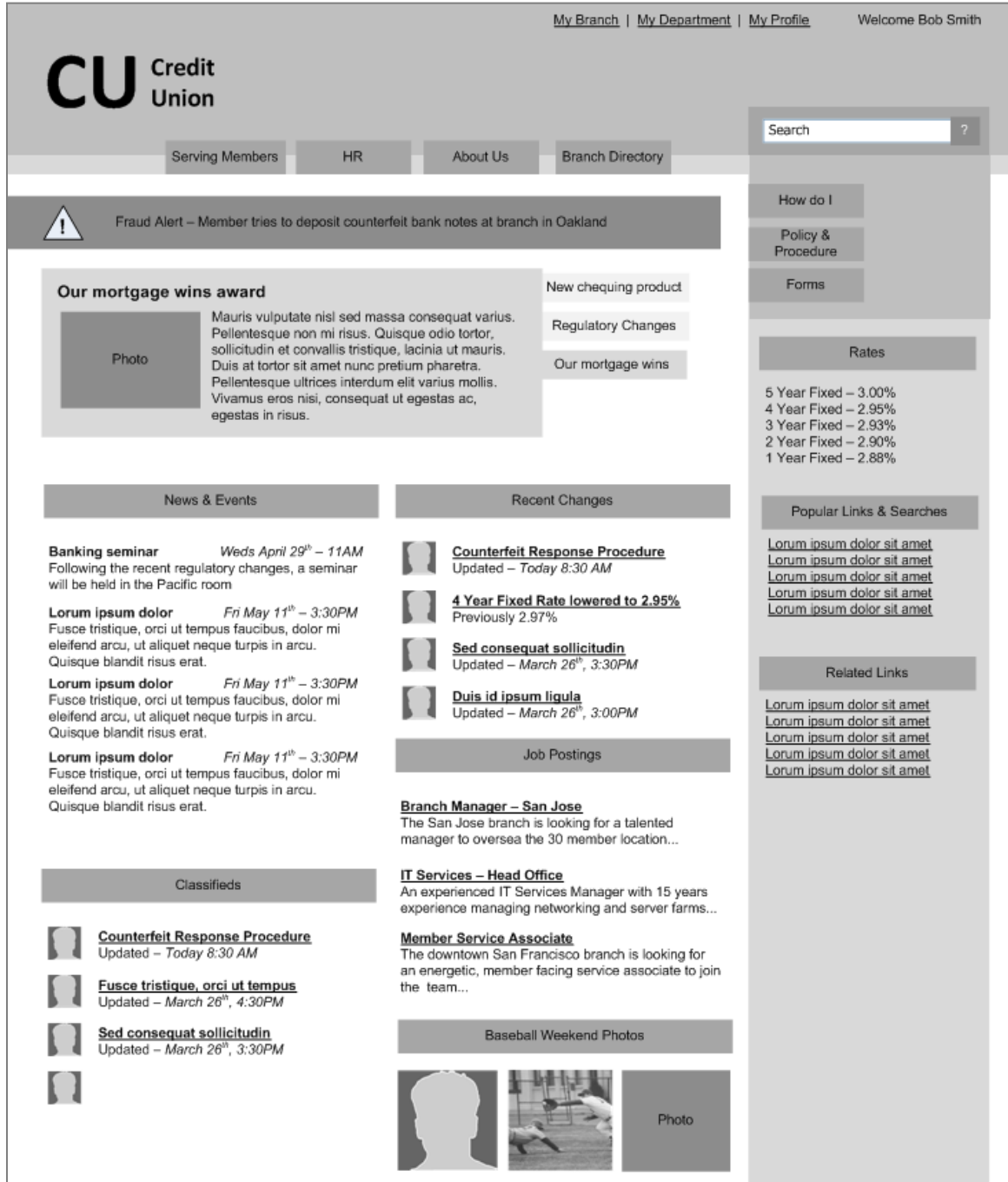


Figure 25 Branch Directory Wireframe

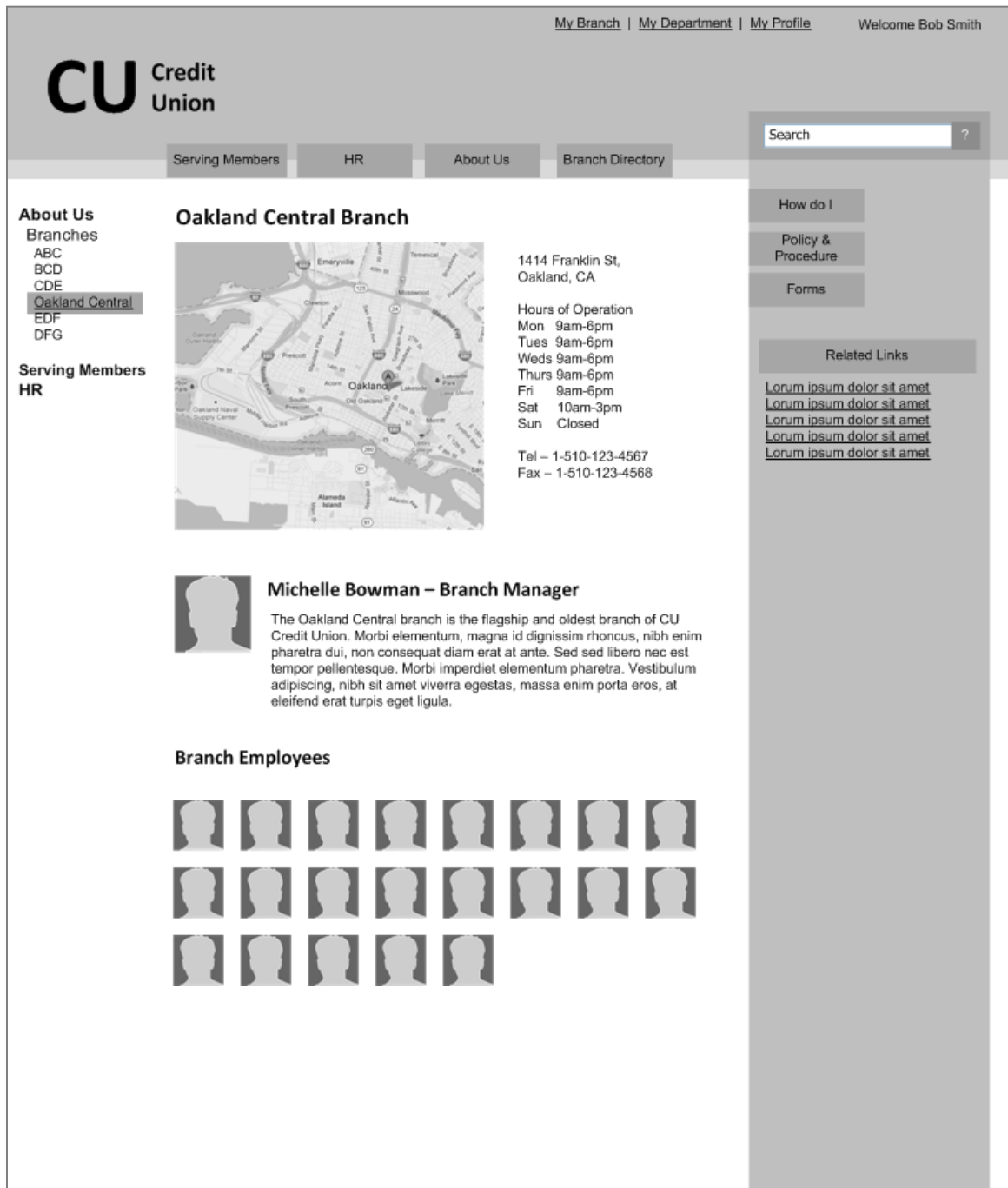


Figure 26 Procedure Wireframe

My Branch | My Department | My Profile

Welcome Bob Smith

CU Credit Union

Serving Members

HR

About Us

Branch Directory

Checking Accounts

No-Fuss Free Checking

[Opening](#)
[Closing](#)
[Transition](#)

Savings Accounts

Cards

Insurance

Procedure for Opening a No-Fuss Free Checking Account

Step 1

Mauris vulputate nisi sed massa consequat varius. Pellentesque non mi risus. Quisque odio tortor, sollicitudin et convallis tristique, lacinia ut mauris. Duis at tortor sit amet nunc pretium pharetra. Pellentesque ultrices interdum elit varius mollis. Vivamus eros nisi, consequat ut egestas ac, egestas in risus. Mauris vulputate nisi sed massa consequat varius. Pellentesque non mi risus. Quisque odio tortor, sollicitudin et convallis tristique, lacinia ut mauris. Duis at tortor sit amet nunc pretium pharetra. Pellentesque ultrices interdum elit varius mollis.


Step 2

Vivamus eros nisi, consequat ut egestas ac, egestas in risus. Mauris vulputate nisi sed massa consequat varius. Pellentesque non mi risus. Quisque odio tortor, sollicitudin et convallis tristique, lacinia ut mauris. Duis at tortor sit amet nunc pretium pharetra. Pellentesque ultrices interdum elit varius mollis. Vivamus eros nisi, consequat ut egestas ac, egestas in risus.

Step 3

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Related Forms



Form for Opening a No-Fuss Free Checking Account

Updated – March 26<sup>th</sup>, 3:30PM

Related Policy

[Policy for Closing a No-Fuss Free Checking Account](#)

Updated – March 26<sup>th</sup>, 3:30PM

Related Procedures

[Procedure for Closing a No-Fuss Free Checking Account](#)

Updated – March 26<sup>th</sup>, 3:30PM

[Procedure for Transitioning a No-Fuss Free Checking Account](#)

Updated – March 26<sup>th</sup>, 3:30PM

Search

?

How do I

Policy & Procedure

Forms

Rates & Fees for this Product

Interest Rate:

0.1%

Fees:

\$0

Opening Other Products

[Procedure for Opening a Member Essentials Checking Account](#)

[Procedure for Opening a Family Classic Checking Account](#)

[Procedure for Opening a Prestige Package Checking Account](#)

My Recent Activity

Today

[Procedure for Closing a Member Essentials Checking Account](#)

[Procedure for Opening a Member Essentials Checking Account](#)

[Form for Opening a Member Essentials Checking Account](#)

Yesterday

[Procedure for Handling a Stolen Credit Card](#)

[Policy for Stolen Credit Cards](#)

Figure 27 Member Services Dashboard

# Member Services Dashboard

[My Branch](#) | [My Department](#) | [My Profile](#) | Welcome Bob Smith

## Rates and Fees

### Public Rates

Mortgage – 5 Year Fixed	3%
Mortgage – 4 Year Fixed	2.9%
Mortgage – 3 Year Fixed	2.85%
Mortgage – 2 Year Fixed	2.8%
Mortgage – 1 Year Fixed	2.73%
Mortgage – Variable	2.71%

### Internal Rates

Mortgage – 5 Year Fixed	2.95%
Mortgage – 4 Year Fixed	2.85%
Mortgage – 3 Year Fixed	2.8%
Mortgage – 2 Year Fixed	2.78%
Mortgage – 1 Year Fixed	2.71%

## Policies, Procedures, Forms, Rates, Fees

Products	Policies	Procedures	Forms	Rates	Fees	Min
<b>Checking</b>						
The No-Fuss Free Checking Account	Read	Opening   Closing   Overdrawn	Opening	0.10%	\$0.00	\$0
Member Essentials Account	Read	Opening   Closing   Overdrawn	Opening	0.10%	\$2.99	\$0
Family Classic Account	Read	Opening   Closing   Overdrawn	Opening	0.10%	\$2.99	\$0
Prestige Package Account	Read	Opening   Closing   Overdrawn	Opening	0.10%	\$4.99	\$500
<b>Savings</b>						
The No-Fuss Savings Account	Read	Opening   Closing	Opening	1.25%		\$5
Member Savings	Read	Opening   Closing	Opening	1.26%		\$1,000
Prestige Saving	Read	Opening   Closing	Opening	1.35%		\$5,000
Kids Saver	Read	Opening   Closing	Opening	1.10%		\$5
<b>Business</b>						
Small Business Account	Read	Opening   Closing   Overdrawn	Opening	0%	\$5.00	\$0
Business Basics Account	Read	Opening   Closing   Overdrawn	Opening	0%	\$9.99	\$500
Business Prestige Account	Read	Opening   Closing   Overdrawn	Opening	0%	\$14.99	\$1,000
<b>Cards</b>						
Visa Classic	Read	Opening   Closing   Stolen	Opening	19.9%	\$20	
Visa Gold	Read	Opening   Closing   Stolen	Opening	19.9%	\$100.00	
<b>Insurance</b>						
The No-Fuss Auto Insurance	Read	Opening   Closing	Opening			
Member Home Insurance	Read	Opening   Closing	Opening			

## My Tagged Items

- Procedure: Transition No-Fuss Checking into Member Essentials
- Lorum ipsum dolor. Mauris vulputate nisi sed massa consequat varius.
- Pellentesque non mi risus. Quisque odio tortor, sollicitudin et convallis tristique, lacinia ut mauris.
- Duis at tortor sit amet nunc pretium pharetra.
- Pellentesque ultrices interdum elit varius mollis.
- Vivamus eros nisi, consequat ut egestas ac, egestas in risus.

## Section 2

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## Recently Viewed

Term Deposits						
Min	1 Month	1 Year	2 Year	3 Year	4 Year	5 Year
\$1,000	N/A	1.25%	1.30%	1.40%	1.85%	2.20%
\$5,000	0.65%	1.25%	1.30%	1.40%	1.85%	2.20%
\$10,000	0.75%	1.25%	1.45%	1.64%	2.20%	2.45%
\$20,000	0.95%	1.35%	1.45%	1.64%	2.20%	2.45%
\$40,000	0.95%	1.35%	1.45%	1.64%	2.20%	2.45%
\$60,000	0.95%	1.35%	1.45%	1.64%	2.20%	2.45%
\$100,000	0.95%	1.35%	1.45%	1.64%	2.20%	2.45%

Laddered Term Deposits						
Min	1 Month	1 Year	2 Year	3 Year	4 Year	5 Year
\$1,000	N/A	1.25%	1.30%	1.40%	1.85%	2.20%
\$5,000	0.65%	1.25%	1.30%	1.40%	1.85%	2.20%
\$10,000	0.75%	1.25%	1.45%	1.64%	2.20%	2.45%
\$20,000	0.95%	1.35%	1.45%	1.64%	2.20%	2.45%
\$40,000	0.95%	1.35%	1.45%	1.64%	2.20%	2.45%
\$60,000	0.95%	1.35%	1.45%	1.64%	2.20%	2.45%
\$100,000	0.95%	1.35%	1.45%	1.64%	2.20%	2.45%

## Section 3

Mauris vulputate nisi sed massa consequat varius. Pellentesque non mi risus. Quisque odio tortor, sollicitudin et convallis tristique, lacinia ut mauris. Duis at tortor sit amet nunc pretium pharetra. Pellentesque ultrices interdum elit varius mollis. Vivamus eros nisi, consequat ut egestas ac, egestas in risus. Mauris vulputate nisi sed massa consequat varius. Pellentesque non mi risus. Quisque odio tortor, sollicitudin et convallis tristique, lacinia ut mauris. Duis at tortor sit amet nunc pretium pharetra. Pellentesque ultrices interdum elit varius mollis.

Vivamus eros nisi, consequat ut egestas ac, egestas in risus. Mauris vulputate nisi sed massa consequat varius. Pellentesque non mi risus. Quisque odio tortor, sollicitudin et convallis tristique, lacinia ut mauris. Duis at tortor sit amet nunc pretium pharetra. Pellentesque ultrices interdum elit varius mollis.

## **Appendix B - Executive Team Resumes**

### **Daniel Flippance**

#### **ACHIEVEMENTS & STRENGTHS**

- Designing tough software architectures
- Leading teams to successfully deliver software solutions
- Collaborative cross-functional leadership
- System Analysis
- Continuous improvement in processes

#### **WORK EXPERIENCE**

##### ***Solution Architect, Habañero Consulting Group 2006 - Present***

- Solution Architect and technical lead on the development of a several public web sites and intranets including the public website and intranet for one of Canada's three largest credit unions, and the public website for a leading Canadian pizza chain
- Member of the Engineering Group leadership team managing employees and process
- Member of the Architects Team providing technical leadership and guidance to the Engineering group
- Performance Manager for 5 employees

##### ***Technical Lead, Meridian Systems, 2001-2006***

- Technical lead for a large team implementing a Facilities Management software product
- Team collaboration with business analysts and software architect on requirements definition, technical designs, task breakdowns, assigning duties, monitoring developers, implementing features and working closely with offshore team in Russia
- Software and database development and migration

#### **EDUCATION**

Exeter University, BSc, Honours – 1994

Simon Fraser University, MBA (Expected) - 2012

# **Bob Smith**

## **ACHIEVEMENTS & STRENGTHS**

- Proven multidisciplinary problem-solver with an aptitude for details as demonstrated through challenging assignments and projects
- Exceptional communications skills developed through working with a wide variety of people
- Resourceful manager and relationship builder who motivates, mobilizes, and coaches to achieve

## **WORK EXPERIENCE**

### ***Senior Manager of Digital Communications, West Coast Credit Union 2007 - Present***

- Managed the Digital Communications department of 20 employees and an annual budget of \$2.6M
- Following the acquisition of another credit union, wrote the business case; promoted; and was the product owner for the 2 year SharePoint intranet project, consolidating 2 previous intranets and implementing a new platform.
- Negotiated digital signage deal for roll out across 112 branches.

### ***Sales & Marketing Manager, Cascade Range Credit Union, 2001-2006***

- Managed a team of 5 to deliver the 2005 brand refresh
- Responsible for all aspects of integrated marketing and business development
- Designed and lead the implementation of a partner program

### ***Salesman, Seattle & Tacoma Insurance, 1998-2001***

- Responsible for corporate sales in the Seattle and Tacoma area.

## **EDUCATION**

Seattle University, BA – 1995

Simon Fraser University, MBA - 2011

## Appendix C – Pro Forma Financial Statements

### Pro Forma Income Statements

Figure 28 Pro Forma Income Statement - Year1

	Year 1											
	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April
<b>Pro Forma Income Statement</b>												
<b>Revenue</b>												
Employee Portal - Public Cloud	-	-	-	-	-	-	-	-	-	-	-	-
Employee Portal - Private Cloud	-	-	-	7,500	-	30,000	-	30,000	-	30,000	-	30,000
Employee Portal - In-House	-	-	-	-	-	-	-	-	-	-	-	-
Design Services	-	-	-	-	-	-	-	-	4,500	-	4,500	4,500
Custom software services	-	-	-	-	-	-	-	-	5,250	-	5,250	5,250
<b>Total Revenues</b>	-	-	-	7,500	-	30,000	-	30,000	9,750	30,000	9,750	39,750
<b>Cost of Good Sold</b>												
Wages - Development	-	-	-	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167
Wages - Sales	-	-	-	-	-	-	-	-	-	-	-	-
Wages - Graphic Design Contractors	3,000	3,000	-	3,000	3,000	-	-	-	2,100	-	2,100	2,100
Conferences	3,026	-	-	-	-	-	-	-	-	-	-	-
Flights	1,200	1,200	1,200	1,200	600	600	1,200	600	600	600	600	600
Hotels	720	720	720	480	240	240	480	240	240	240	240	240
Auto	470	470	470	370	210	210	370	210	210	210	210	210
<b>Total</b>	8,416	5,390	2,390	9,217	8,217	5,217	6,217	5,217	7,317	5,217	7,317	7,317
<b>Gross Margin</b>	(8,416)	(5,390)	(2,390)	(1,717)	(8,217)	24,783	(6,217)	24,783	2,433	24,783	2,433	32,433
<b>Expense</b>												
Development Environment Leasing	98	98	98	196	196	196	196	196	196	196	196	196
Hardware leasing	-	-	92	138	138	138	138	138	138	138	138	138
Owner Salaries	-	-	-	-	-	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Legal	1,000	200	200	200	200	200	200	200	200	200	200	200
Insurance	500	500	500	500	500	500	500	500	500	500	500	500
Rent	-	-	-	-	-	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Professional & Membership fees	250	250	250	1,500	250	250	250	250	250	250	250	250
Utilities & Telephone	200	200	200	200	200	200	200	200	200	200	200	200
Office Supplies	50	50	50	50	50	50	50	50	50	50	50	50
Depreciation	67	67	67	87	87	87	87	87	87	87	87	87
Bad Debt	-	-	-	-	-	124	-	124	12	124	12	162
Interest Expense	-	-	-	-	-	-	-	38	38	38	38	56
<b>Total</b>	2,165	1,365	1,457	2,871	1,621	12,745	12,621	12,783	12,671	12,783	12,671	12,840
<b>Operating Margin</b>	(10,581)	(6,755)	(3,847)	(4,588)	(9,838)	12,038	(18,838)	12,001	(10,238)	12,001	(10,238)	19,594
Taxes	-	-	-	-	-	2,408	-	2,400	-	2,400	-	3,919
<b>Net Margin</b>	(10,581)	(6,755)	(3,847)	(4,588)	(9,838)	9,631	(18,838)	9,601	(10,238)	9,601	(10,238)	15,675



Figure 29 Pro Forma Income Statement - Year 2

	Year 2											
	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April
<b>Pro Forma Income Statement</b>												
<b>Revenue</b>												
Employee Portal - Public Cloud	-	-	-	-	-	500	500	500	500	500	500	500
Employee Portal - Private Cloud	-	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Employee Portal - In-House	45,000	-	-	-	45,000	-	-	-	45,000	-	-	-
Design Services	-	4,500	-	4,500	-	4,500	-	4,500	-	4,500	-	4,500
Custom software services	-	5,250	-	5,250	-	5,250	-	5,250	-	525	-	5,250
<b>Total Revenues</b>	<b>45,000</b>	<b>39,750</b>	<b>30,000</b>	<b>39,750</b>	<b>75,000</b>	<b>40,250</b>	<b>30,500</b>	<b>40,250</b>	<b>75,500</b>	<b>35,525</b>	<b>30,500</b>	<b>40,250</b>
<b>Cost of Good Sold</b>												
Wages - Development	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Wages - Sales	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167
Wages - Graphic Design Contractors	-	2,100	-	2,100	-	2,100	-	2,100	-	2,100	-	2,100
Conferences	3,026	-	-	-	-	-	-	-	-	-	-	-
Flights	600	600	600	600	600	600	600	600	600	600	600	600
Hotels	240	240	240	240	240	240	240	240	240	240	240	240
Auto	210	210	210	210	210	210	210	210	210	210	210	210
<b>Total</b>	<b>20,743</b>	<b>19,817</b>	<b>17,717</b>	<b>19,817</b>	<b>17,717</b>	<b>19,817</b>	<b>17,717</b>	<b>19,817</b>	<b>17,717</b>	<b>19,817</b>	<b>17,717</b>	<b>19,817</b>
<b>Gross Margin</b>	<b>24,257</b>	<b>19,933</b>	<b>12,283</b>	<b>19,933</b>	<b>57,283</b>	<b>20,433</b>	<b>12,783</b>	<b>20,433</b>	<b>57,783</b>	<b>15,708</b>	<b>12,783</b>	<b>20,433</b>
<b>Expense</b>												
Development Environment Leasing	392	392	392	392	392	392	392	392	392	392	392	392
Hardware leasing	276	276	276	276	276	276	276	276	276	276	276	276
Owner Salaries	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333
Legal	200	200	200	200	200	200	200	200	200	200	200	200
Insurance	500	500	500	500	500	500	500	500	500	500	500	500
Rent	1,000	1,000	1,000	1,000	1,000	1,000	2,500	2,500	2,500	2,500	2,500	2,500
Professional & Membership fees	250	250	250	250	250	250	250	250	250	250	250	250
Utilities & Telephone	200	200	200	200	200	200	200	200	200	200	200	200
Office Supplies	50	50	50	50	50	50	50	50	50	50	50	50
Depreciation	274	274	274	274	274	274	274	274	274	274	274	274
Bad Debt	121	100	61	100	286	102	64	102	289	79	64	102
Interest Expense	56	19	19	19	19	-	-	-	-	-	-	-
<b>Total</b>	<b>16,653</b>	<b>16,594</b>	<b>16,555</b>	<b>16,594</b>	<b>16,780</b>	<b>16,577</b>	<b>18,039</b>	<b>18,077</b>	<b>18,264</b>	<b>18,054</b>	<b>18,039</b>	<b>18,077</b>
<b>Operating Margin</b>	<b>7,605</b>	<b>3,340</b>	<b>(4,272)</b>	<b>3,340</b>	<b>40,503</b>	<b>3,856</b>	<b>(5,256)</b>	<b>2,356</b>	<b>39,519</b>	<b>(2,345)</b>	<b>(5,256)</b>	<b>2,356</b>
Taxes	1,521	668	-	668	8,101	771	-	471	7,904	-	-	471
<b>Net Margin</b>	<b>6,084</b>	<b>2,672</b>	<b>(4,272)</b>	<b>2,672</b>	<b>32,402</b>	<b>3,085</b>	<b>(5,256)</b>	<b>1,885</b>	<b>31,615</b>	<b>(2,345)</b>	<b>(5,256)</b>	<b>1,885</b>

Figure 30 Pro Forma Income Statement - Years 1-5

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Pro Forma Income Statement</b>	-	-	-	-	-
<b>Revenue</b>	-	-	-	-	-
Employee Portal - Public Cloud	-	3,500	12,000	18,000	24,000
Employee Portal - Private Cloud	127,500	330,000	390,000	480,000	540,000
Employee Portal - In-House	-	135,000	180,000	180,000	180,000
Design Services	13,500	27,000	24,000	24,000	48,000
Custom software services	15,750	26,775	28,000	28,000	56,000
<b>Total Revenues</b>	<b>156,750</b>	<b>522,275</b>	<b>634,000</b>	<b>730,000</b>	<b>848,000</b>
<b>Cost of Good Sold</b>	-	-	-	-	-
Wages - Development	37,500	150,000	200,000	225,000	275,000
Wages - Sales	-	50,000	100,000	100,000	100,000
Wages - Graphic Design Contractors	18,300	12,600	11,200	11,200	22,400
Conferences	3,026	3,026	3,822	3,822	3,822
Flights	10,200	7,200	14,400	16,800	19,200
Hotels	4,800	2,880	5,760	6,480	7,200
Auto	3,620	2,520	4,040	4,580	5,120
<b>Total</b>	<b>77,446</b>	<b>228,226</b>	<b>339,222</b>	<b>367,882</b>	<b>432,742</b>
<b>Gross Margin</b>	<b>79,304</b>	<b>294,049</b>	<b>294,778</b>	<b>362,118</b>	<b>415,258</b>
<b>Expense</b>	-	-	-	-	-
Development Environment Leasing	2,058	4,704	5,880	6,468	7,644
Hardware leasing	1,334	3,312	4,416	4,692	5,244
Owner Salaries	70,000	160,000	180,000	200,000	220,000
Legal	3,200	2,400	2,400	2,400	2,400
Insurance	6,000	6,000	6,000	6,000	6,000
Rent	7,000	21,000	30,000	60,000	60,000
Professional & Membership fees	4,250	3,000	3,000	3,000	3,000
Utilities & Telephone	2,400	2,400	2,400	2,400	2,400
Office Supplies	600	600	600	600	600
Depreciation	988	3,287	1,217	599	359
Bad Debt	558	1,470	1,474	1,811	2,076
Interest Expense	206	131	-	-	-
<b>Total</b>	<b>98,594</b>	<b>208,304</b>	<b>237,387</b>	<b>287,969</b>	<b>309,724</b>
<b>Operating Margin</b>	<b>(19,290)</b>	<b>85,745</b>	<b>57,391</b>	<b>74,149</b>	<b>105,534</b>
<b>Taxes</b>	<b>11,127</b>	<b>20,575</b>	<b>11,478</b>	<b>14,830</b>	<b>21,107</b>
<b>Net Margin</b>	<b>(30,417)</b>	<b>65,170</b>	<b>45,913</b>	<b>59,319</b>	<b>84,428</b>

## Pro Forma Balance Sheets

Figure 31 Pro Forma Balance Sheet Year 1

	Year 1											
	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April
<b>Pro Forma Balance Sheets</b>												
<b>Assets</b>												
<b>Current Assets</b>												
Cash and term deposits	40,537	33,399	29,261	19,515	15,452	1,895	7,145	2,662	8,823	2,025	8,186	4,877
Accounts receivable	-	-	-	6,000	-	24,000	-	24,000	7,800	24,000	7,800	31,800
Prepaid expenses												
<b>Total Current Assets</b>	40,537	33,399	29,261	25,515	15,452	25,895	7,145	26,662	16,623	26,025	15,986	36,677
<b>Capital Assets</b>												
Acc Depreciation												
<b>Total Capital Assets</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	40,537	33,399	29,261	25,515	15,452	25,895	7,145	26,662	16,623	26,025	15,986	36,677
<b>Liabilities and Equity</b>												
<b>Current Liabilities</b>												
Accounts payable and accruals	1,051	669	378	1,200	975	1,787	1,875	1,791	1,990	1,791	1,990	2,007
Current portion of long-term debt												
Accrued Wages												
Taxes due	-	-	-	-	-	2,408	-	2,400	-	2,400	-	3,919
Short term loan	-	-	-	-	-	-	-	10,000	10,000	10,000	10,000	15,000
<b>Total Current Liabilities</b>	1,051	669	378	1,200	975	4,195	1,875	14,191	11,990	14,191	11,990	20,926
<b>Long-term debt</b>												
<b>Total Long term Liabilities</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	1,051	669	378	1,200	975	4,195	1,875	14,191	11,990	14,191	11,990	20,926
<b>Equity</b>												
Shares	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Retained surplus (deficit)	(10,514)	(17,269)	(21,117)	(25,685)	(35,523)	(28,300)	(44,730)	(37,530)	(45,367)	(38,167)	(46,004)	(34,248)
<b>Total Equity</b>	39,486	32,731	28,883	24,315	14,477	21,700	5,270	12,470	4,633	11,833	3,996	15,752
<b>Total Liabilities and Equity</b>	40,537	33,399	29,261	25,515	15,452	25,895	7,145	26,662	16,623	26,025	15,986	36,677

Figure 32 Pro Forma Balance Sheet Year 2

	Year 2											
	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April
<b>Pro Forma Balance Sheets</b>												
<b>Assets</b>												
<b>Current Assets</b>												
Cash and term deposits	8,653	5,426	8,740	3,826	7,837	33,780	35,101	28,804	31,351	58,147	53,419	45,290
Accounts receivable	36,000	31,800	24,000	31,800	60,000	32,200	24,400	32,200	60,400	28,420	24,400	32,200
Prepaid expenses												
<b>Total Current Assets</b>	<b>44,653</b>	<b>37,226</b>	<b>32,740</b>	<b>35,626</b>	<b>67,837</b>	<b>65,980</b>	<b>59,501</b>	<b>61,004</b>	<b>91,751</b>	<b>86,567</b>	<b>77,819</b>	<b>77,490</b>
<b>Capital Assets</b>												
Acc Depreciation												
<b>Total Capital Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>44,653</b>	<b>37,226</b>	<b>32,740</b>	<b>35,626</b>	<b>67,837</b>	<b>65,980</b>	<b>59,501</b>	<b>61,004</b>	<b>91,751</b>	<b>86,567</b>	<b>77,819</b>	<b>77,490</b>
<b>Liabilities and Equity</b>												
<b>Current Liabilities</b>												
Accounts payable and accruals	3,712	3,614	3,400	3,614	3,422	3,612	3,548	3,762	3,571	3,760	3,548	3,762
Current portion of long-term debt												
Accrued Wages												
Taxes due	1,521	668	-	668	8,101	771	-	471	7,904	-	-	471
Short term loan	15,000	5,000	5,000	5,000	5,000							
<b>Total Current Liabilities</b>	<b>20,233</b>	<b>9,282</b>	<b>8,400</b>	<b>9,282</b>	<b>16,523</b>	<b>4,383</b>	<b>3,548</b>	<b>4,233</b>	<b>11,475</b>	<b>3,760</b>	<b>3,548</b>	<b>4,233</b>
<b>Long-term debt</b>												
<b>Total Long term Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>20,233</b>	<b>9,282</b>	<b>8,400</b>	<b>9,282</b>	<b>16,523</b>	<b>4,383</b>	<b>3,548</b>	<b>4,233</b>	<b>11,475</b>	<b>3,760</b>	<b>3,548</b>	<b>4,233</b>
<b>Equity</b>												
Shares	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Retained surplus (deficit)	(25,580)	(22,055)	(25,660)	(23,656)	1,314	11,597	5,952	6,771	30,276	32,807	24,271	23,257
<b>Total Equity</b>	<b>24,420</b>	<b>27,945</b>	<b>24,340</b>	<b>26,344</b>	<b>51,314</b>	<b>61,597</b>	<b>55,952</b>	<b>56,771</b>	<b>80,276</b>	<b>82,807</b>	<b>74,271</b>	<b>73,257</b>
<b>Total Liabilities and Equity</b>	<b>44,653</b>	<b>37,226</b>	<b>32,740</b>	<b>35,626</b>	<b>67,837</b>	<b>65,980</b>	<b>59,501</b>	<b>61,004</b>	<b>91,751</b>	<b>86,567</b>	<b>77,819</b>	<b>77,490</b>

Figure 33 Pro Forma Balance Sheet Years 1-5

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Pro Forma Balance Sheets</b>					
<b>Assets</b>					
<b>Current Assets</b>					
Cash and term deposits	4,877	45,290	74,692	99,206	132,146
Accounts receivable	31,800	32,200	48,267	48,667	60,533
Prepaid expenses	-	-	-	-	-
<b>Total Current Assets</b>	<b>36,677</b>	<b>77,490</b>	<b>122,959</b>	<b>147,873</b>	<b>192,679</b>
	-	-	-	-	-
<b>Capital Assets</b>	-	-	-	-	-
Acc Depreciation	-	-	-	-	-
<b>Total Capital Assets</b>	-	-	-	-	-
<b>Total Assets</b>	<b>36,677</b>	<b>77,490</b>	<b>122,959</b>	<b>147,873</b>	<b>192,679</b>
<b>Liabilities and Equity</b>					
<b>Current Liabilities</b>					
Accounts payable and accruals	2,007	3,762	4,767	5,674	6,370
Current portion of long-term debt	-	-	-	-	-
Accrued Wages	-	-	-	-	-
Taxes due	3,919	471	2,513	808	2,386
Short term loan	15,000	-	-	-	-
<b>Total Current Liabilities</b>	<b>20,926</b>	<b>4,233</b>	<b>7,280</b>	<b>6,481</b>	<b>8,756</b>
	-	-	-	-	-
Long-term debt	-	-	-	-	-
<b>Total Long term Liabilities</b>	-	-	-	-	-
<b>Total Liabilities</b>	<b>20,926</b>	<b>4,233</b>	<b>7,280</b>	<b>6,481</b>	<b>8,756</b>
	-	-	-	-	-
<b>Equity</b>	-	-	-	-	-
Shares	50,000	50,000	50,000	50,000	50,000
Retained surplus (deficit)	(34,248)	23,257	65,679	91,391	133,923
<b>Total Equity</b>	<b>15,752</b>	<b>73,257</b>	<b>115,679</b>	<b>141,391</b>	<b>183,923</b>
<b>Total Liabilities and Equity</b>	<b>36,677</b>	<b>77,490</b>	<b>122,959</b>	<b>147,873</b>	<b>192,679</b>

## Pro Forma Cash Flow Analysis

Figure 34 Pro Forma Statement of Cash Flows Year 1

	Year 1											
	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April
<b>Pro Forma Cash Flow Statements</b>												
Opening Cash Balance	50,000	40,537	33,399	29,261	19,515	15,452	1,895	7,145	2,662	8,823	2,025	8,186
<b>Cash Receipts</b>												
Receivables Current Month/Year	-	-	-	1,500	-	6,000	-	6,000	1,950	6,000	1,950	7,950
Receivables Prior Month/Year	-	-	-	-	6,000	-	24,000	-	24,000	7,800	24,000	7,800
Loan incoming	-	-	-	-	-	-	-	10,000	-	-	-	5,000
Angel Investor												
Total	-	-	-	1,500	6,000	6,000	24,000	16,000	25,950	13,800	25,950	20,750
<b>Cash Disbursements</b>												
Payables Current Month/Year	9,463	6,019	3,402	10,801	8,776	16,087	16,876	16,121	17,910	16,121	17,910	18,062
Payables Prior Month/Year	-	1,119	736	445	1,287	1,062	1,875	1,962	1,879	2,077	1,879	2,077
Development Expenses												
Loan repayment	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Payments	-	-	-	-	-	-	-	-	-	-	-	-
Taxes Payable	-	-	-	-	-	2,408	-	2,400	-	2,400	-	3,919
Total	9,463	7,138	4,138	11,246	10,063	19,557	18,750	20,483	19,789	20,598	19,789	24,058
<b>Net Cash Flows</b>	(9,463)	(7,138)	(4,138)	(9,746)	(4,063)	(13,557)	5,250	(4,483)	6,161	(6,798)	6,161	(3,308)
<b>Closing Cash Balance</b>	40,537	33,399	29,261	19,515	15,452	1,895	7,145	2,662	8,823	2,025	8,186	4,877

Figure 35 Pro Forma Statement of Cash Flows Year 2

	Year 2											
	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April
<b>Pro Forma Cash Flow Statements</b>												
Opening Cash Balance	4,877	8,653	5,426	8,740	3,826	7,837	33,780	35,101	28,804	31,351	58,147	53,419
<b>Cash Receipts</b>												
Receivables Current Month/Year	9,000	7,950	6,000	7,950	15,000	8,050	6,100	8,050	15,100	7,105	6,100	8,050
Receivables Prior Month/Year	31,800	36,000	31,800	24,000	31,800	60,000	32,200	24,400	32,200	60,400	28,420	24,400
Loan incoming	-	-	-	-	-	-	-	-	-	-	-	-
Angel Investor												
Total	40,800	43,950	37,800	31,950	46,800	68,050	38,300	32,450	47,300	67,505	34,520	32,450
<b>Cash Disbursements</b>												
Payables Current Month/Year	33,409	32,523	30,598	32,523	30,801	32,508	31,934	33,858	32,136	33,837	31,934	33,858
Payables Prior Month/Year	2,094	3,986	3,888	3,674	3,888	3,696	3,886	3,822	4,036	3,845	4,034	3,822
Development Expenses												
Loan repayment	-	10,000	-	-	-	5,000	-	-	-	-	-	-
Dividend Payments	-	-	-	-	-	131	1,160	595	677	3,028	3,281	2,427
Taxes Payable	1,521	668	-	668	8,101	771	-	471	7,904	-	-	471
Total	37,024	47,177	34,486	36,864	42,789	42,107	36,979	38,747	44,753	40,709	39,248	40,578
<b>Net Cash Flows</b>	3,776	(3,227)	3,314	(4,914)	4,011	25,943	1,321	(6,297)	2,547	26,796	(4,728)	(8,128)
Closing Cash Balance	8,653	5,426	8,740	3,826	7,837	33,780	35,101	28,804	31,351	58,147	53,419	45,290

Figure 36 Pro Forma Statement of Cash Flows Years 1-5

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Pro Forma Cash Flow Statements</b>					
Opening Cash Balance	50,000	4,877	45,290	74,692	99,206
<b>Cash Receipts</b>					
Receivables Current Month/Year	31,350	104,455	126,800	146,000	169,600
Receivables Prior Month/Year	93,600	417,420	153,000	194,267	214,267
Loan incoming	15,000	-	-	-	-
Angel Investor	-	-	-	-	-
Total	139,950	521,875	279,800	340,267	383,867
	-				
<b>Cash Disbursements</b>	-				
Payables Current Month/Year	157,547	389,919	212,553	258,634	278,428
Payables Prior Month/Year	16,399	44,670	19,367	21,654	24,460
Development Expenses	-	-	-	-	-
Loan repayment	-	15,000	-	-	-
Dividend Payments	-	11,299	14,652	30,522	41,003
Taxes Payable	11,127	20,575	3,826	4,943	7,036
Total	185,073	481,462	250,398	315,753	350,927
	-				
Net Cash Flows	(45,123)	40,413	29,402	24,514	32,940
Closing Cash Balance	4,877	45,290	74,692	99,206	132,146



Figure 37 Pro Forma Financial Ratios

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Ratios</b>					
Gross Margin	51%	56%	46%	50%	49%
ROS	-19%	12%	7%	8%	10%
Turnover	427%	674%	516%	494%	440%
Leverage	20%	492%	168%	128%	136%
ROE	-17%	414%	63%	51%	60%
Current Ratio	2	18	17	23	22

## Appendix D – Competitive Analysis

Table 24 Sources of Advantage Scoring

	Weight	Passageways	eDoc Innovations	Moxie	Bitrix	Adenin
<b>Number of products</b>		<b>6</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>5</b>
Size: Locations	80%	1	1	5	4	2
Size: Web Analytics%	20%	11	2	65	8	7
<b>Size: Total</b>		<b>3</b>	<b>1.2</b>	<b>17</b>	<b>4.8</b>	<b>3</b>
Complements: Integration		0	0	0	0	0
Complements: Partners		12	22	15	189	0
<b>Complements: Total</b>		<b>12</b>	<b>22</b>	<b>15</b>	<b>189</b>	<b>0</b>
Product: KB				1	1	
Product: Document Mgt		1	1	1	1	1
Product: Communities/Discussions		1		1	1	1
Product: Chat		1		1	1	
Product: Search		1		1	1	1
Product: User Profiles		1		1	1	1
Product: Wikis/Blogs		1		1	1	1
Product: Teams/Projects		1		1	1	1
Product: Forms		1	1			
Product: Photo galleries		1		1	1	1
Product: Calendars				1	1	1
<b>Product: Total</b>		<b>9</b>	<b>2</b>	<b>10</b>	<b>10</b>	<b>8</b>
CuServ: Phone		1	1	1	1	1
CuServ: Web HelpDesk		1	1	1	1	1
CuServ: Chat			1	1		
CuServ: Forums/FAQ		1	1	1	1	
CuServ: Manager		1				1
CuServ: Email		1		1	1	1
CuServ: Online Training/Webinars				1	1	
CuServ: Conference		1				
<b>CuServ: Total</b>		<b>6</b>	<b>4</b>	<b>6</b>	<b>5</b>	<b>4</b>

Assumptions & Notes:

- The highest value in each total row in this table scores a 5 in the Competitor Advantage table and the remaining values are calculated based on that maximum.
- Data is taken from the public website of each firm

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